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Russian unions

Keeping the red flag flying

Page 2

World Business Newspaper

TUESDAY OCTOBER 10 1995

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Brussels likely to approve \$5.2bn packaging merger

The European Commission is likely to approve a proposed alliance between Crown Cork & Seal of the US and France's CarmauxMetalbox, creating the world's largest packaging company, according to industry officials. Closed hearings for competitors worried about the \$5.2bn deal, in which CCS will acquire CMB, have taken place in Brussels. Opposition to the merger appears to be muted and the Commission is expected to impose only limited conditions on the alliance. Page 16

UK banks expected to announce merger Lloyds Bank and TSB Group are expected to announce a merger which would create the UK's fourth largest bank with total assets of £127.5bn (\$195bn). Page 17; A merger made in heaven, Page 15; Lex, Page 16

Dozens die in Mexico quake: Mexico declared a state of emergency in the south-western coastal states of Colima and Jalisco after an earthquake measuring 7.6 on the Richter scale killed dozens of people and destroyed buildings.

US Senator Nunn announces retirement US Senator Sam Nunn, one of the most influential Democrats in Congress, will retire next year after nearly a quarter of a century in office. The 57-year-old former chairman of the Senate Armed Services Committee (left) who is considered the most knowledgeable senator on military issues said he had



decided not to seek a fifth six-year term for personal reasons. The move comes as a severe blow to what little hopes the Democrats have of regaining control of the Senate. Resignation puts Democrats on defensive. Page 16

EU minister warns of transport choices: EU Commissioner for transport Neil Kinnock warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved. Page 3

Mass strike threatens France: Five million French public sector workers are set to stage their biggest strike in a decade today. The planned 24-hour stoppage is to protest at the government's refusal to push up civil service pay next year. Elite corps under attack. Page 14

Netlloyd shares fall 15%: The shares of Nedlloyd, the Dutch shipping and road haulage group, fell 15 per cent after the company scaled down an earlier profit forecast and said it expected a substantially lower result in 1995. Page 17

Czech health minister dismissed: The Czech government dismissed its health minister to try to head off a growing crisis caused by losses at health insurance funds and a strike threat by doctors. Page 3

Brazil to end car import quotas: Brazil is preparing to end quotas on vehicle imports following criticism at a meeting of the World Trade Organisation in Geneva. Page 4

Commerzbank reaffirms UK interest: Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for UK stockbroker firm Smith New Court earlier this year. Page 18

Alumax, the US aluminium group, is to buy privately-held Cressona Aluminium, a leading manufacturer of extruded aluminium products. It will pay \$430m in cash and assume or retire about \$70m of Cressona's obligations. Page 20

Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia within the next month, is offering the Indonesian public one bonus share for every 10 Telkom shares they buy. Page 21

US train derailment kills one: A passenger train en route from Miami to Los Angeles with 343 passengers, derailed in the Arizona desert, killing one person and injuring more than 100, in what authorities said may have been an act of sabotage.

UK traders reject drug allegations: London futures traders are keen to debunk claims of drug abuse which have arisen following the discovery of cannabis in a dealer's possession. Page 9

Former UK prime minister dies: Lord Home of the Hirsel, UK prime minister for just a year in 1963-64, has died, aged 92. Page 10

STOCK MARKET INDICES	
New York Composite	4727.30 (+41.91)
Dow Jones Ind. A	3067.01 (+25.03)
NASDAQ Composite	387.01 (+2.53)
Europe and Far East	
UK	2785.71 (+23.89)
FR	2148.69 (+2.74)
FT-SE 100	3510.3 (-16.2)
Nikkei	18176.27 (+330.01)

US RATES	
Federal Funds	6.5%
3-month Treasury Bill	6.45%
Long Bond	6.42%

OTHER RATES	
UK 3-month interbank	6.5%
UK 10 yr Gov	10.2%
France 10 yr Gov	10.0%
Germany 10 yr Bond	10.2%
Japan 10 yr JGB	113.62%

NORTH SEA OIL (Argus)	
Brent 15-day Dec	\$15.92 (15.70)

GOLD	
New York: COMEX	\$367.5 (366.1)
London: COMEX	\$367.5 (366.1)
DOLLAR	
New York: COMEX	\$1.00
London: COMEX	\$1.00
STERLING	
London: COMEX	£1.00

RTZ to merge with associate

Closer link with CRA of Australia will effectively create single corporate entity

By Nikki Tait in Sydney and Kenneth Gooding in London

RTZ, the world's largest mining company, and CRA, its 49 per cent-owned Australian associate, are to merge their operations and management, effectively becoming a single corporate entity with total assets of \$9bn (\$14bn) and a combined market capitalisation of around £14bn.

Neither company will bid for the other, no cash will change hands or assets be exchanged. Instead, shareholders will retain their existing holdings in CRA and RTZ but vote together on all significant matters. The companies said this "dual listed company" structure was modelled loosely on the established arrangements at Unilever and Royal Dutch/Shell.

Markets did not welcome the complexity of the proposals and

CRA shares closed 4 cents down at A\$20.88 (\$16) while RTZ lost 15p to close last night at 909p.

The catalyst for the merger appears to have been the increasingly international search for new mining projects and the potential for conflicts of interest as CRA began to look outside its traditional Australasian base.

The companies already have a history of co-operation. In the early sixties, after Rio Tinto merged with Consolidated Zinc to form RTZ, CRA was 92 per cent owned by its UK parent. While the stake was subsequently sold down, relations between the two remained very close, with senior

management, for example, moving between the groups.

Shares in CRA rose strongly at the end of August on rumours that RTZ was planning to bid for the rest of the company. RTZ told the Australian Stock Exchange it did not intend to make a bid. Mr Bob Wilson, chief executive, said yesterday this was an honest response because "we did not intend to make a takeover bid for CRA, nor do we intend to make a takeover bid."

Assuming the dual listed company scheme - which is subject to shareholder approval and which the companies hope to implement by January 1 - goes

ahead, the companies would report their results on a unified basis through one set of accounts. Shares of both companies, meanwhile, would be listed on both London and Australian stock markets.

Yesterday, Mr John Uhrig, CRA's chairman, said the Australian company approached RTZ early this year with the merger proposal after conducting a strategic review of CRA's operations. The current deal was more beneficial than a takeover of one company by the other, he said, as it "allows us to remain an Australian company but fast-tracks us into growth in the world mining

business". Australian analysts generally gave the deal a favourable reception although some felt that CRA - which had looked constrained internationally - might be the bigger beneficiary in the long-term. In London, analysts pointed out RTZ would gain access to CRA's cash flow and would benefit from the forthcoming upturn in earnings from the Australian company's iron ore and coal businesses at a time when RTZ's copper earnings had probably peaked.

The combined group would have a strong balance sheet with gearing of only 13 per cent. RTZ shareholders would suffer some dilution but Mr Wilson promised the new combine would adapt RTZ's progressive dividend policy (instead of paying dividends to reflect the economic cycle).

Lex, Page 16

Tokyo knew of Daiwa loss long before US heard

By Gerard Baker in Tokyo and Richard Waters in New York

The Japanese finance ministry admitted yesterday that it knew about Daiwa Bank's huge losses in New York more than a month before it notified US authorities, raising serious doubts about the effectiveness of international financial regulation.

Daiwa also announced the resignation of Mr Akira Fujita, its president, and said that its international operations would be restructured, with increased emphasis on south-east Asia and possible cutbacks in other centres.

Mr Kiyosuke Shinozawa, the senior bureaucrat at the finance ministry, said losses at Daiwa's New York branch, ultimately found to total \$1.1bn, had been revealed by Mr Fujita at a routine meeting with the head of the ministry's banking bureau on August 8, less than two weeks after Daiwa had been notified of the alleged fraudulent trading of US government bonds.

The ministry has previously said it did not know about the problems until September 13. Daiwa has been widely criticised for failing to notify the authorities sooner, and officials are under investigation in the US for possible failure to report their suspicions promptly.

Mr Shinozawa said the ministry immediately instructed Daiwa at the August 8 meeting to investigate the losses in detail and confirm them as soon as possible.

Daiwa reported back to the ministry informally the exact scale of the known losses on September 12. Formal notification followed on September 13. Only then was the US Federal Reserve, the body mainly responsible for supervising Daiwa's New York branch, told.

The US authorities then started proceedings against the bank. Mr Toshihide Iguchi, the trader allegedly responsible for the losses, was arrested two days later.

Daiwa announced the losses publicly on September 26. A week later, the Federal Reserve instructed the bank to curtail most of its New York operations. US investigators will want to know what exactly the Japanese authorities were told on August 8 and why the information was not passed to them.

The New York Fed, the branch of the Federal Reserve system that oversees Daiwa, refused to comment yesterday on the Japanese ministry's failure to pass on information sooner. "We don't want to take this opportunity to enter into a public row with the MoF," a spokesman said.

He added, though, that the Fed was intent on finding out what Daiwa did in the two months or so between discovering the problem and notifying US regulators. At the bank's headquarters in Osaka yesterday, officials announced that Mr Fujita had resigned his post with immediate effect.

Continued on Page 16



Daiwa Bank chairman Sumio Abekawa (right) and president Akira Fujita (left) resigned yesterday with two other top executives, before the Osaka news conference to announce a reshuffle of top posts. Mr Abekawa will leave next March.

Franc weathers crisis after rise in French interest rate

By David Buchan in Paris and George Graham in Washington

The new French government appeared to have weathered its first serious currency crisis after an interest rate increase by the Bank of France and a statement of support from the Bundesbank steadied the franc yesterday.

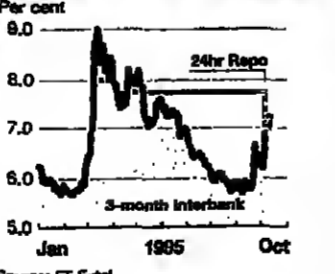
But the franc, which first sank to FF3.53 to the D-mark before recovering to about FF3.51, is expected to remain fragile.

French public sector unions will today hold a one-day strike which will be closely watched by financial markets for its impact on the government's declared resolve to cut deficits.

Mr Jean Arthuis, the finance minister, said in Washington he hoped the rise in the Bank of France's "repo" lending rate from 6.15 to 7.25 per cent would be of "very short duration". He also pledged that the government would "hold its course" on deficit reduction.

Mr Hans Tietmeyer, the Bundesbank president, forecast the franc would stay

ermant and of renewed European doubts about the feasibility of monetary union, the Juppé fears prompted a sharp slide in the franc, which lost 4 centimes against the D-mark last Friday.



Source: FT Data

"among the strong currencies because of [France's] good fundamental economic data". There was no reason the franc should not stabilise if the French government continued to cut its budget deficit, he said.

Heavy speculation against the franc started last Friday when the launching of a preliminary legal investigation into prime minister Mr Alain Juppé's personal housing affairs prompted fears he might have to resign. Coming in the wake of recent policy waverings by the Juppé gov-

ernment and of renewed European doubts about the feasibility of monetary union, the Juppé fears prompted a sharp slide in the franc, which lost 4 centimes against the D-mark last Friday.

The French central bank's initial action on Friday was to narrow its "repo" lending so that speculators could only borrow overnight. By raising the "repo" rate, the bank has had to reverse the graduated rate reductions it has been making since March, when it last increased rates during the French presidential election campaign.

Mr Juppé's officials had accepted that the financial markets, and the independent Bank of France, would not lower interest rates much further, until they saw the government's plan later this autumn to cut the social security deficit as well the 1996 draft budget outlined last month, but they were not counting on the cost of money rising again and this may cast a shadow over economic growth.

Currencies, Page 27

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Macedonians pass deal but fear for unity

By Laura Silber

The parliament of Macedonia yesterday endorsed a US-sponsored agreement which will open the way for Greece to lift an 18-month blockade of its northern neighbour.

But as this difficult dispute was on the verge of resolution, a power struggle was going on in Macedonia after last week's bomb attack which left President Kiro Gligorov close to death.

The agreement with Greece, which was ratified by the 120-seat Sornazie, as the country's parliament is known, was accepted last month by Mr Gligorov. It says Skopje harbours no territorial ambitions in regard to Greece and will adopt a new flag.

Now that parliament has formally ratified the treaty, Greece is obliged to lift its crippling embargo and allow freedom of movement between the two countries by October 13. Macedonian parliamentarians last Thursday adopted a new national banner, abandoning the 16-pointed star of Vergina, which Greece claimed as its own.

While the deal was set to enhance the stability of the region, it has been overshadowed by the assassination attempt against Mr Gligorov, who received severe head injuries when a car bomb exploded as he drove to his office in the centre of Skopje.

There is a concerted effort to make it appear that life is going on as usual in Macedonia.

Yet the deep fear is that a prolonged power struggle will be dangerous, not only for the stability of the tiny country, the only republic to secede from Serb-dominated Yugoslavia without war.

The impact would be much wider, as any of Macedonia's neighbours could intervene. In the heart of the Balkans, Macedonia borders on Serbia, Albania and Bulgaria. In addition to Greece.

Despite Mr Gligorov's effort to resolve feuds, problems

remain with Skopje's neighbours.

Serbia so far has failed to recognise Macedonia. Tirana has objected to the status of the Albanian minority, which comprises nearly a quarter of Macedonia's 2m population.

While Mr Gligorov has worked to improve relations between the Macedonian Slavs and the Albanians, some local Albanian leaders insist on autonomy.

Bulgaria has recognised the state of Macedonia, but has

Political jostling is taking place behind the scenes out of deference for the president, who is recovering from his wounds

balked at recognising the Macedonians as a separate nation.

The absence of Mr Gligorov from the political scene is a serious setback for Macedonia. His allies are hoping that the 78-year-old president will quickly resume duties, if only for an hour each day, and remain a symbol of unity.

But if the constitutional court rules that Mr Gligorov is unable to return to work, fresh elections must be held within 90 days.

A likely contender would be Mr Stojan Andov, the speaker of parliament, who is the acting president.

A career technocrat, Mr Andov is bitterly disliked by Mr Gligorov's supporters. Observers say a final showdown could pit Mr Andov against Mr Vasil Tupurkovski, the charismatic Macedonian representative to the former Yugoslavia.

Out of deference to Mr Gligorov, the political jostling is taking place out of the public eye, but the battle's potential for damage is obvious to all.

Czech health minister sacked in costs crisis

By Vincent Boland in Prague

The Czech government yesterday dismissed its health minister to try to head off a growing healthcare crisis, caused by losses at health insurance funds and a strike threat by doctors.

Mr Ludek Rubas was dismissed in the face of growing opposition by doctors angered by his refusal to discuss their claims for higher pay.

A healthcare crisis has been building for almost a year as a result of big losses incurred by many of the country's 25 health insurance funds, state-sponsored bodies set up to provide medical insurance for individuals. It has come to a head in recent weeks after a group of doctors threatened a one-day strike on November 1.

The strike threat was not immediately withdrawn yesterday after the minister's removal. Mr Rubas threatened last week to sack any doctors who stopped working.

Mr Jan Strasky, transport minister, has been appointed to replace Mr Rubas, with Mr Vladimir Budinsky, chairman of parliament's budget committee, joining the government to take over from Mr Strasky.

Mr Vaclav Klaus, the prime minister, described circumstances in the health service as "untenable" and said Mr Strasky would ensure greater co-operation with doctors in

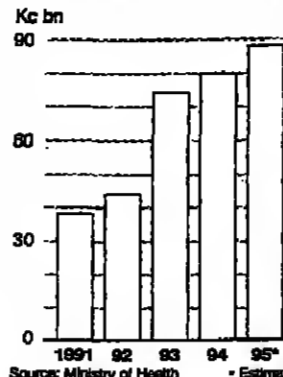
addressing its problems. The government has become alarmed at the way the crisis has mushroomed. Mr Klaus's coalition allies pushed strongly for Mr Rubas's removal in the past few days.

The government has been attempting without visible success to privatise parts of the health service since it assumed office in 1992. It wants a big reduction in the number of doctors and has tried to privatise hospitals by encouraging physicians to get together to buy them. This policy has been undermined by the profession's lack of capital, which is itself related to low salaries.

The losses at the nominally independent insurance funds are caused by a fee-for-service method of payment for treatment. Doctors are paid according to the number of patients they see and the amount of treatment they recommend, meaning that it is most profitable for doctors to see as many patients as they can.

The problem has been made worse by competition among the funds for customers. Each fund is financed by a basic contribution from individual members, with extra treatment subject to extra contributions. In their drive to expand membership, however, some funds have offered additional services at no extra cost. Total accumulated losses are estimated at Kc33n (\$114m).

Czech health spending



The current crisis masks considerable improvement in some aspects of healthcare since 1988. The health budget has risen from 5 per cent of gross domestic product then to 8 per cent now. Since the introduction of the fee-for-service system, however, the incidence of visits to doctors has soared among a population that, many observers note, has long considered frequent medical visits, as well as free healthcare, a right.

The present system encourages the patient to misuse the health service and the doctor to prescribe unnecessary medicines, with each visit billed to the funds," said Dr Martin Potucek, director of the Institute of Sociological Studies at Charles University in Prague.

The penchant for doctors to



Czech prime minister Vaclav Klaus has taken action after describing circumstances in the health service as "untenable"

over-prescribe is a response to their low salaries of roughly Kc6,000 a month, which are on average no different to those of industrial workers. Observers familiar with the healthcare industry suggest there is a need for considerable rationalisation. There are twice as many doctors per capita as in Germany, and too many hospitals.

Mr John Seidler, director of the Czech activities of Pfizer, the US pharmaceutical group, said the fee-for-service system, which encourages doctors to see as many patients as they can, needed to be replaced and the emphasis switched to preventing sickness rather than curing it.

"What is needed is a system that encourages doctors to have healthy patients, not sick patients," he said.

Mr Strasky has been given a sensitive task by the government, which is facing a general election before next summer. He is likely to seek an early meeting with doctors to head off the strike and for a reduction in the number of insurance funds to create a smaller group of stronger institutions.

A study being undertaken this month is expected to draw up recommendations on the type of health system most suited to the Czech Republic, and is likely to involve a considerable degree of private insurance and healthcare.

Belgian MPs to decide on Claes

By Lionel Barber in Brussels

A special Belgian parliamentary panel yesterday began studying a recommendation from the country's highest court that Mr Willy Claes, Nato secretary general, should be stripped of his parliamentary immunity and indicted in the bribery scandal involving the Italian helicopter maker, Augusta.

Mr Claes, who has repeatedly stated he has done nothing wrong, faces charges of corruption, forgery and fraud. Belgian ministers and former ministers can only be prosecuted with the permission of parliament which must vote to lift immunity.

The parliamentary panel could give its verdict as early as this week. If MPs recommend lifting immunity, the pressure on Mr Claes to resign would be overwhelming.

Mr Claes has clung tenaciously to his Nato job despite being forced to change his story earlier this year. After first denying that he had ever heard of any bribe money being paid by Augusta, he later admitted that he had been told of a possible "gift" to his Flemish Socialist party. At the time of the contract, in the late 1980s, companies in Belgium could make financial contributions to parties deductible against tax. The Flemish Socialists accepted money from business but officially steered clear of military contractors.

Nato governments have so far insisted that the Augusta affair involving kickbacks for government contracts is a domestic matter, but the affair has already claimed four Belgian ministerial scalps and the threat of corruption charges against the head of Nato comes at a sensitive time as the alliance seeks to broker a peace settlement in Bosnia and lay the ground for enlargement to central Europe.

Potential candidates to succeed Mr Claes include Mr Uffe Ellemann-Jensen, former Danish foreign minister, and Mr Ruud Lubbers, former Dutch prime minister.

Kinnock warns of tough choices

By Caroline Southey in Brussels

Mr Neil Kinnock, EU Commissioner for transport, yesterday warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved.

The Commissioner said congestion was costly in economic terms and was causing heavy pollution as well as energy consumption. In addition, he said, nearly 1,000 people were killed in road accidents in the EU every week - the equivalent of three jumbo airliners or one large passenger ferry going down every seven days.

Mr Kinnock, speaking in Copenhagen, said it was imperative "effective strategies to cope with gridlock" were

in the EU were likely to double in the next 20 years.

"It may be that the freedom and the choices of individuals and businesses will have to be further curtailed for the purpose of maintaining the wider liberties, health and well-being of the broader community," he said. This was not a "new conundrum" for democracies, he added, but one which "poses itself with increasing urgency".

Many of the necessary changes for decongestion "must obviously and rightly be taken at national and local level", he declared. The contribution

from the EU was to identify common problems and publicise best practices.

The Commissioner argued that an effective programme of cutting congestion would have to include a "strategy for increasing the use of public transport, for making it more accessible to those who now rely heavily on their cars".

While people could be persuaded, or pulled, on to public transport systems by improving the services on buses, trains, trams and metro systems, it was necessary to have "push" policies aimed at deterring car traffic.

"If the clogging - the thrombosis - of urban transport systems is to be reduced or cured, the use of cars is

going to have to be squeezed even while the alternatives to cars are expanded."

There was a growing feeling that more emphasis should be put on measures to make the price of road use reflect its full cost.

Road users still did not bear the full costs, he argued, while society as a whole met the bills for congestion, accidents, land use and environmental damage.

Mr Kinnock will publish a Commission Green Paper in the next few weeks, to be called "The Citizen's Network", setting out the problems and possible solutions for a more effective EU transport system.

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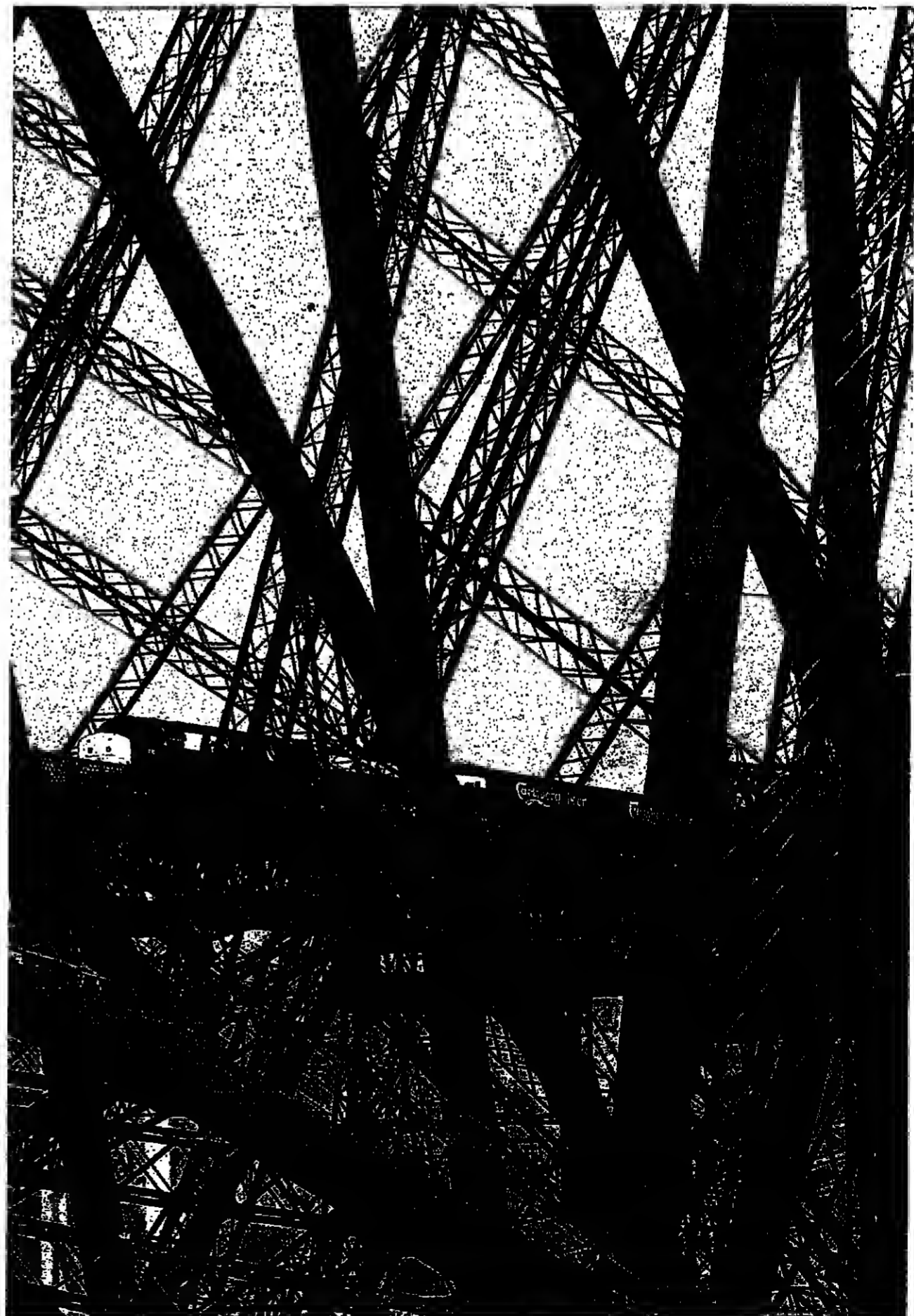
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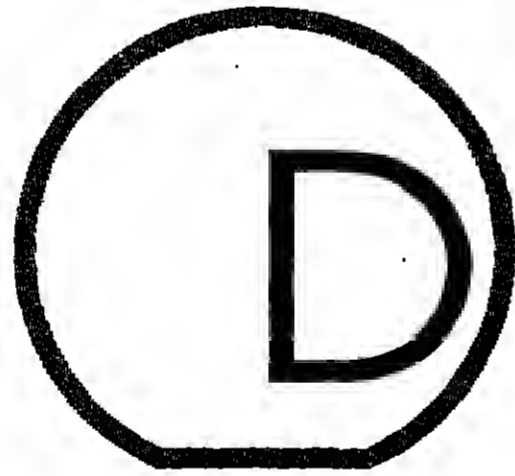


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NEWS: THE AMERICAS

Zedillo goes to US on pilgrimage of thanks

President Ernesto Zedillo begins a state visit to the US today armed with the most expensive entry visa ever paid by a Mexican leader.

His decision last Thursday to repay, ahead of schedule, \$700m of the \$12.5bn Mexico has borrowed from the US this year was timed to silence critics of the rescue package which President Bill Clinton brokered for Mexico in February.

The early repayment was welcomed by the White House, and will help smooth Mr Zedillo's meetings with congressional leaders. He is expected to reassure his hosts that Mexico will not borrow more US funds this year.

Mr Zedillo's trip is more a pilgrimage of thanks than a state visit. He owes Mexico's narrow reprieve from default, and perhaps his presidency, to Mr Clinton's ability to marshal \$50bn of international aid following the mismanaged devaluation of the peso in December.

Mr Clinton pledged \$20bn of the total package after the US Congress refused to back a plan to give Mexico \$40bn in loan guarantees.

Given the strong opposition of US legislators to the international rescue package, Mr Zedillo will not address Congress on this trip.

The US aid was also unpopular in Mexico. Opinion polls showed more than 80 per cent of Mexicans rejected Mr Clinton's assistance, believing it would jeopardise Mexican sovereignty by giving the US government de facto property rights over Mexican oil, offered as collateral for the loans.

Many Mexicans also believe their country's economic poli-

President Bill Clinton is under pressure to raise an alleged Mexican violation of the North American Free Trade Agreement, during President Ernesto Zedillo's state visit to the US, Nancy Dunne reports from Washington.

In a dispute that has dragged on since implementation of Nafta on January 1, 1994, US express delivery companies have been forced to use small, inefficient vehicles, while their Mexican counterparts can use large trucks.

United Parcel Service, which has taken the lead on the issue, argues it has been denied "national treatment" -

in the wake of December's financial crisis, are being decided in Washington rather than Mexico City, and they resent an austerity programme designed to restore the confidence of foreign investors at the cost of a recession and one million job losses.

In Washington and Wall Street, however, there is unequivocal praise for Mexico's unflinching application of an orthodox economic shock programme. The message Mr Zedillo will take to investors and fund managers when he visits New York is that Mexico's harsh adjustment to devaluation and capital flight has laid more solid foundations for future growth.

There will be little consolation for US exporters, who have seen a \$1.3bn trade surplus with Mexico last year turn into a \$3.6bn deficit in the first six months of 1995, according to the US Commerce Department.

Although Mexico is Amer-

ica's biggest trading partner after Canada, with two-way trade worth more than \$100bn a year, the fall of US exports to Mexico has strengthened opposition to the North American Free Trade Agreement. Both the US and Mexican governments see the contraction in trade as a temporary casualty of the Mexican recession.

Two other issues which usually cloud US-Mexican relations - illegal immigration and drug trafficking - will receive less attention on this visit. Mexico's foreign ministry says it is pleased with the willingness of US authorities to develop a common approach to illegal immigration.

US drug enforcement officials, for their part, say they are favourably impressed by Mexico's new attorney-general, Mr Antonio Lozano, and his efforts to fight corruption within Mexico's anti-narcotics squads.

Leslie Crawford

Powell drifts from independent line



Crowd puller: Colin Powell leaves a London bookshop. Anthony Hattwood

General Colin Powell, in London yesterday to promote his autobiography, hinted that if he ran for the US presidency next year he would stand as a Republican rather than an independent, our foreign staff write. Running as an indepen-

dent "has enormous obstacles in front of it," he said. Recent polls showed he would beat President Bill Clinton by 9 percentage points in a presidential election if he were to stand as a Republican candidate.

Manning's decision is a year early, writes Canute James Trinidadian surprise

Mr Patrick Manning, Trinidad and Tobago's prime minister, has surprised even some of his colleagues by calling a general election for early November, a year before it is constitutionally due. Mr Manning was faced with a reduced majority in parliament caused by the deaths and resignations of government members.

Although it won 21 of the 36 seats in the December 1991 election, the incumbent People's National Movement has found itself with 17 seats and no indication of its support in the splintered opposition.

"The current configuration of parliament reduces the government's flexibility in conducting the nation's business to unacceptable levels," Mr Manning said in announcing the election for November 6.

Recent public opinion polls have suggested that the PNM will be returned, but not without a strong challenge from the majority opposition United National Congress led by Mr Basdeo Pandey. Traditionally, the PNM has appealed most to Trinidadians of African origin, while the UNC has been favoured by Indo-Trinidadians.

Mr Manning's decision was also prompted by the government's failure four months ago to get Ms Ocah Seapaul, to resign as Speaker of parliament following her involvement in a court case. The prime minister's resort to a state of emergency and the house arrest of the Speaker to force her resignation was criticised as excessive.

PNM officials say the party's campaign will be based on the performance of the energy-based economy of the past two years, after several years of stagnation. "Last year we projected growth at 2.5 per cent

and we achieved 4.5 per cent," said Mr Wendell Mottley, the finance minister. "The additional growth was mainly from expansion in oil and gas and in petrochemicals, the latter mainly from higher methanol and ammonia prices."

The growth is continuing with expansion of 1.5 per cent in the first quarter of this year. "This has signalled the end of the economic problems which we had up to 1993," said Mr

'The current parliament reduces the government's flexibility in conducting business to unacceptable levels'

Mottley. The economy was subject to structural adjustment, which saw extensive deregulation, mainly with the removal of exchange controls.

The level of dislocation in Trinidad and Tobago has been far less than that of some of its neighbours which have implemented adjustment policies. The exchange rate is being held up by strong inflows of foreign currency from foreign investors and funds repatriated by Trinidadians, Mr Mottley reported. "Manufacturers were sceptical about the economic adjustment programme and said 40,000 jobs would be lost, but this has not happened."

Growth in exports and a fall in imports produced a merchandise surplus of \$652m last

year, about twice the surplus of 1993. The current account surplus of \$355m last year was five times that of the previous year. Reschedulings and timely repayments have reduced the foreign debt from \$2.52bn five years ago to \$2.06bn.

"There has been an indication of positive change in the macro-economic indicators, but one wonders if this is sustainable," said Mr Selby Wilson, finance minister in the previous administration. "Much hinges on the continued performance of oil and energy."

Mr Wilson is more concerned about the level of unemployment which has been falling over the last five years, but which is still at 15 per cent. While there has been economic expansion through new investments, most of these have been capital intensive, he explained, with most jobs being in temporary construction.

Unemployment has not been falling fast enough and is a major problem for the government, Mr Mottley conceded. He expects more jobs to be created with a widening of the economic base. Two major resorts are to be built in Tobago by local and foreign companies, while the expansion in petrochemicals is being led by a US\$1bn liquefied natural gas plant being built by Amoco and Cabot LNG of the US. British Gas, and Trinidad's state-owned gas company.

"The UNC will attack the government's 'poor' record on employment, and on the 'destruction' of the social services caused by the structural adjustment policies, said senior officials of the UNC party. "There are just not enough jobs and there is a growing army of unemployed which threatens the social stability of the country," said one.

Makers press for battery cars re-think

By Christopher Parkes in Los Angeles

Leading vehicle manufacturers in the US have relaunched a campaign against a controversial Californian government order obliging them to introduce battery-powered cars in the state in 1998. While pressing for a wholesale re-think of the project, the least they hope for in the immediate future is that the debate will be reopened after a public meeting in Los Angeles tomorrow.

A group of independent experts is due to report the results of a technology audit ordered in June in a surprise intervention by state Governor Pete Wilson.

The industry hopes the study, for which the panel visited battery development facilities in Europe, Japan and the US, will support its core argument that the technology is not yet ready to meet the state authorities' own criteria.

These include "conventional vehicle performance, adequate driving range... and... reasonable cost to the consumer".

"We are getting towards crunch time," said one official at the American Automobile Manufacturers' Association, which two weeks ago started trying to rouse public interest in its predicament with a radio advertising campaign.

"The next three or four months are crucial," he said, noting production capacity would need to be installed soon if leading manufacturers were to meet the requirement that 2 per cent of their 1998 model-year sales must be zero-emission vehicles.

The California Air Resources Board, which formulated and will be responsible for administering the mandate, is due to undertake a final review of its plans next January.

Before then, it may be to the industry's advantage if it can draw Mr Wilson back into the debate. Environmental lobbyists were shaken when he ordered the so-called "battery audit" in June after coming under pressure from fellow-Republicans representing mid-West states heavily dependent on the motor industry.

US-Cuba council

The US-Cuba Trade and Economic Council points out that it does not act as a lobby group in the US, as stated in the FT's survey on Cuba published on September 26. The council is a non-partisan organisation that exists to disseminate information on US-Cuban commercial relations, and takes no position on the US embargo of Cuba.

AMERICAN NEWS DIGEST

Quake hits south Mexico

Mexico yesterday declared a state of emergency in the south-western coastal states of Colima and Jalisco after reports that a strong earthquake had killed dozens of people and destroyed buildings in several towns.

President Ernesto Zedillo ordered troops and civil defence workers into the area to help the rescue and relief effort after the quake, which measured 7.6 on the Richter scale and also shook Mexico City. Buildings swayed in the capital, frightening people into the streets.

A Jalisco state spokeswoman said that at least 14 people had been reported killed and 80 injured in two small towns of Tepic and Amacua, near the Pacific Coast. Both towns were isolated by landslides and collapsed bridges. Trading on Mexico's stock market was halted for 40 minutes. Agencies, Mexico City

Buenos Aires snubs Peronists

Argentina's governing Peronist party has been beaten into third place in senatorial elections in the federal capital of Buenos Aires, thereby suffering its first serious electoral setback since 1993.

Sunday's election was won easily by Mrs Graciela Fernández Meijide of the centre-left Frepaso alliance, who polled 45.7 per cent. The Radical party came second on 24.3 per cent, leaving Peronist candidate Mr Antonio Erman González in third place on 22.5 per cent.

Although the mainly middle class voters of Buenos Aires have traditionally been hostile to Peronism, the size of the defeat is bound to unnerve the governing party. Mrs Meijide campaigned strongly on the issues of record unemployment and corruption, two of the weakest flanks of President Carlos Menem's administration. The poll confirms Frepaso, which came second in May's presidential elections, as the main opposition force, usurping the role long held by the Radical party.

The stage is set for the election of a mayor of Buenos Aires later this year, the first time the post will be decided by vote. The Peronist party will seek to prevent what will be one of the country's most powerful political positions from falling into the hands of Frepaso.

David Pilling, Buenos Aires

Sabotage feared in train crash

An Amtrak passenger train was derailed in the Arizona desert yesterday killing one person and injuring more than 100 in what authorities said could have been sabotage. "We have evidence it was not an accident - it could be terrorist activity," Mr Joe Arpaio, Maricopa county sheriff, said.

Authorities said an electrical cord had been found wrapped around the tracks and notes had been found near the place where Amtrak's Sunset Limited train crashed en route from Miami to Los Angeles carrying 248 passengers. Reuters, Phoenix

Ecuadorian probe continues

Ecuador's supreme court is this week expected to resume investigations into Vice-President Alberto Dahik, despite his acquittal by Congress on corruption charges last Friday. Mr Carlos Solorzano, the court's president, said he would examine microfilms that document the alleged misuse of secret state funds by Mr Dahik.

It is unclear how President Sixto Durán Ballén will restore unity in his government after Mr Dahik refused to resign in response to the president's request 10 days ago. Mr Vicente Maldonado, industry minister and one of several cabinet members who expressed loyalty to the vice-president, said Mr Dahik and the president would have to talk "as mature men" to resolve the crisis.

Raymond Collitt, Quito

Drug funds for president denied

Mexico has strongly denied allegations by a Colombian news magazine that the Cali drug cartel donated money to Mexican President Ernesto Zedillo's election campaign last year. "The report... quoting the Colombian magazine Cambio 16 as saying gangs of drug traffickers provided resources for the electoral campaign of the PRI candidate for the presidency is absolutely false," the Interior Ministry said on Sunday night.

The weekly magazine had quoted an unnamed official from the US Drug Enforcement Administration as saying the cartel had partly funded Mr Zedillo's campaign, probably without his knowledge. It did not give further details. The ministry said it had made a strong formal complaint to Cambio 16 and was studying possible legal action.

Reuters, Mexico City

It seems there's something missing from telecom strategies: the local



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INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Club Med forecasts sharp rise for year

Mr Serge Trigano, chairman and chief executive of Club Med, the French-based leisure group, yesterday predicted full-year profits for the current financial year would almost double from FF194m to between FF190m and FF210m (\$31.9m-\$33.9m).

He also confirmed that Union des Assurances de Paris, the French insurance group, would sell all of its 490,000 shares, representing a 4.5 per cent stake. At the same time, two other companies, Rolaco and Exor, had expressed a willingness to increase their holdings by 250,000 and 240,000 shares, respectively.

The announcement follows Club Med's announcement late last month that it was increasing its stake in Exor, the Luxembourg group, from 3.97 per cent to 13 per cent. It also follows a decision by Rhône-Poulenc, the French chemicals group, to sell options in Société Générale, the banking group. The bank confirmed that Rhône-Poulenc would remain represented on its board, and had no intention of selling its shares in Rhône-Poulenc.

Kone hit by disappointing result

Shares in Kone, the Finnish lifts group, fell 6.5 per cent yesterday after a worse-than-expected interim performance hit by competition and falling prices. Profits after financial items dropped 19 per cent from FM167m to FM136m (\$31.6m) in the first eight months, despite firmer sales and good order growth. The market had expected profits of about FM180m and marked the company's B shares down FM30 to FM435, a year low.

Kone warned full-year profits would be less than the FM400m achieved last year. It said its efforts to cut its material, component and installation costs would not offset falling prices.

The group said underlying sales and orders rose around 40 per cent following last year's \$200m purchase of the US lifts group Montgomery. However, a 12 per cent rise in the Finnish market meant sales rose only 21.5 per cent from FM4.75bn to FM5.77bn. Operating profits fell from FM205m to FM188m, lowering the company's operating margin from 4.3 per cent to 3.3 per cent.

Good domestic demand for KPN

The Dutch government's sale of a second tranche of shares in KPN, the state-controlled postal and telecoms company, opened yesterday amid signs that demand from domestic institutions was stronger than from international investors.

"It is fair to say that the feed-back from Dutch institutions is slightly more positive than from foreigners," said one banker involved in the KPN transaction.

A similar pattern of demand was revealed when an equity offering from Telefonica, the Spanish telecoms company, closed last week. The foreign institutional tranche was 1.7 times subscribed, compared with the domestic institutional tranche which was three times subscribed. Nevertheless, the overall positive response from the pre-marketing phase means that the Dutch government was confident it would be able to sell at least 100m shares in KPN, said ABN-Amro, the Dutch bank which is arranging the offering. At yesterday's closing share price of F155.60, the government would raise F15.56bn (\$3.5bn) from the sale of 100m shares, or 21.8 per cent of KPN's share capital.

Further Repsol sale possible

The Spanish government could sell off a further tranche of its 21 per cent holding in the oil and gas company Repsol next year, according to a senior government official.

"Another sale is possible next year," said Mr Hector Lopez, chief financial officer of Sociedad Estatal de Participaciones Industriales (Sepi) which holds the government's stake in Repsol, which at current share prices is worth around \$2bn.

Metro to integrate Asko and Kaufhof

By Judy Dempsey in Berlin

Metro, Germany's largest retailing group, is to merge Asko and Kaufhof, its retailing subsidiaries, with its own cash-and-carry business. All three will be placed in a new holding company, Metro announced yesterday.

The core of the management of Metro Handels Holding, the new company, will come from Kaufhof. Asko shareholders will be offered shares in Metro Handels Holding. It remains unclear how Kaufhof's shareholders will be compensated.

The merger is seen by analysts as an effort to cut costs, continue restructuring and tighten up management. "Metro wants to internally restructure the company," said Mr Cy Schluter, manager of CAI, consultants specialising in retailing. "This will enable it to cut costs and exert tighter control over the group's entire operations," he added.

Metro has not yet released figures for 1994 sales, but said analysts expected them to remain unchanged at DM181bn (\$56.7bn). However, the company yesterday would not confirm this nor comment on the reasons for the merger. Besides its cash-and-carry operations, Metro's other activities include Saturn, the music and video entertainment division, and Vohls, the computer and electronic retailers.

Asko, a supermarket and cash-and-carry chain which has had a co-operative structure and close links with the trade unions, was taken over by Metro in 1990. "But the integration of Asko proved more difficult than at first thought," said Mr Schluter.

Asko ran up losses of DM462m in 1992 and returned to the black the following year. Last year, the group reported net profits of DM358m on sales of DM6.7bn. Kaufhof, which has 1,438 outlets throughout Germany, last year generated sales of DM26.3bn and net profits of DM137.3m. The Metro group employs 150,000.

The merger coincides with a sustained period of sluggish consumer demand caused by the high burden of taxation. Retail sales fell 2 per cent for the first half of 1995 compared with the same period in 1994.

Commerzbank reaffirms interest in UK buy

By John Gapper in Washington

Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for Smith New Court, the UK stockbroker, earlier this year.

Mr Martin Kohlhausen, managing board chairman, told a press conference in Washington there were still "strong and extremely well-managed houses" left in London.

He said Commerzbank, which withdrew from an effort to buy Smith New Court, leaving the field clear to the US

investment bank Merrill Lynch, was considering investment banking acquisitions in the US and Europe.

Commerzbank was constantly taking part in "conversations" with potential targets, including smaller US investment banks which considered themselves "too small to survive on their own, but too big to die".

Mr Kohlhausen said there was no need for Commerzbank to panic in the belief that it was falling behind other banks, including its German rivals Deutsche Bank and Dresdner Bank, which have both acquired UK merchant banks.

Deutsche bought Morgan Grenfell for £950m (\$1.5bn) almost six years ago and last July announced it was fully integrating the business with its investment banking operations. In August, Dresdner completed its acquisition of Kleinwort Benson for almost \$1bn.

"There might be others ahead of us in investment banking, but I hardly envy them having to swallow and digest and integrate those operations. Our performance signals that we are not a bad bank," said Mr Kohlhausen. Commerzbank was still interested in buying a stake in Cre-

ditanstalt Bankverein, the state-controlled Austrian bank which is being sold with the help of J.P. Morgan, the US investment bank, he said. The deadline for bids was yesterday.

However, he criticised a J.P. Morgan estimate that a Creditanstalt stake could be sold at a 30 per cent premium to the current market price. Commerzbank is part of a consortium that put in a lower offer several months ago. "It does not appear to me to be a very good judgment by J.P. Morgan. I wish them luck, but I would not go along if the sale was at that price," said Mr

Kohlhausen, who said the consortium's bid remained the same.

Last month, Commerzbank continued the trend among German corporations towards raising funds internationally, with plans to issue up to DM1bn (\$700m) of capital through a new share sale to German and international investors.

Mr Kohlhausen said the aim of Commerzbank's global share offering was to raise its capital ratios. The issue, due to be launched later this month, would provide the means to make an investment banking acquisition.

Slimmer Nordbanken in shape for sell-off

State hopes to raise SKr6bn or more from the sale of its 30% stake in the restructured Swedish bank

It collapsed in 1992, becoming the biggest casualty of Sweden's banking crisis. Its rivals say it has been "doped" back into profit with taxpayers' money. Now Nordbanken, the country's biggest bank by market share, is up for sale again, seeking to persuade international investors it has fully recovered from the trauma of the past few years.

This week, Nordbanken executives are trekking round the world's financial centres touting the merits of the government's sale of a 30 per cent stake in the bank.

The state hopes to raise about SKr6bn (\$544m). The privatisation will be the first big pay-back since the government pledged almost SKr90bn to keep the banking system afloat when it was swamped in 1991 and 1992 by a flood of credit losses. A general state commitment to support the banking system is still in place.

Some SKr65bn was shelved out in cash, the majority to rescue and restructure Nordbanken and Gotabank, the other principal casualty, which was merged with Nordbanken at the end of 1993.

Nordbanken, 100 per cent state-owned, has undergone big changes since it crashed. The first crucial stage in its reconstruction was the laundering of its loan portfolio: loans worth more than SKr60bn, mostly linked to real estate, were hived off into a separate state-run "bad bank" called Secum. A similar operation was carried out at Gotabank before it was taken over by Nordbanken.

More than anything else, it has hounded back to strong profitability.

From a low point of a record-breaking SKr16.6bn loss in 1992, Nordbanken returned an operating profit last year of SKr4.8bn - more than any of its three main rivals. In the first half of this year, it achieved a return on equity of 26 per cent, far ahead of Svenska Handelsbanken, the next most profitable.

Nordbanken's miraculous recovery prompted Mr Arne Mortenson, Handelsbanken's chief executive, to remark that the bank's results were due to "doping". Mr Hans Dalborg, his counterpart at Nordbanken, has a measured reply. "We are humble enough to realise that without the solution of Secum, Nordbanken would not exist any more. But you do not create a good bank just by hiving off bad loans to another company."

The Secum operation certainly enabled Nordbanken to trim its loan losses to a manageable level, allowing profits to flow through once more to the bottom line. In 1992, Nordbanken's loan losses hit SKr19.3bn, or more than 7 per cent of the bank's loan portfolio. In the first half of this year, loan losses were down to SKr661m, or 0.5 per cent of lending.

However, as Mr Dalborg suggests, this has not been the whole story. Despite the absorption of Gota, operating costs before loan losses last year at SKr7.1bn were slightly less than the 1992 operating costs of SKr7.3bn.

At the same time, operating income has risen over the past year, despite depressed demand for borrowing and a sharp narrowing of the previously wide spread Swedish banks enjoyed between lending and deposit interest rates. The progress is at least in part attributable to self-help: a rationalisation programme has made today's Nordbanken much leaner. It employs 6,700 staff compared with the 11,500 employed by Nordbanken and Gota in 1990.

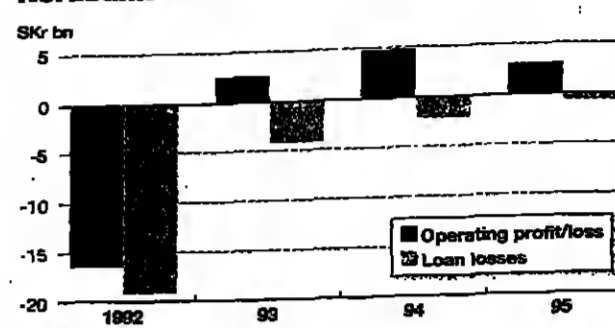
Still, there are worries that once the big benefits of falling loan losses are over, the opportunities to sustain the present levels of profitability will diminish, especially given the still sluggish state of the domestic Swedish economy and increasing competition in the banking sector.

Mr Dalborg has defined a strategy for the refurbished Nordbanken that is firmly fixed in the domestic market. All Nordbanken's overseas offices have been closed. The focus is on the home retail banking sector, small and medium-sized corporate banking and on a select group of big corporations. Nordbanken has about a 20 per cent overall share of the banking market.

"We don't need more customers," Mr Dalborg says. "We have access to 3.5m Swedish clients. What we need to do is do more business with the clients we have."

This does not necessarily mean a hard sell. With all too painful memories of the past, Mr Dalborg stresses the bank now has a rigorous credit con-

Nordbanken



Government rescue	
Banks merged, 1994	
Nordbanken	2.0bn
Gotabank	24.0bn
Total	26.0bn
Shareholder buyout	
Capitalisation of Secum "Bad Bank"	14.0bn
Direct capital injection	4.0bn
Capitalisation of Retrive "Bad Bank"	20.0bn
Direct capital injection	2.0bn
Total	64.0bn

Source: Nordbanken prospectus, Bank Support Authority

rol regime, adding "you will not see an aggressive loan expansion policy by this bank". Instead, he aims to build up Nordbanken's role in areas such as mortgage lending, corporate savings and mutual fund schemes where it is either lagging or areas in market share or sees overall growth opportunities.

Nordbanken has moved fast to meet competition from fleet-footed newcomers to the banking scene, holding the biggest share of the growing telephone banking market.

This month's share issue is only the start of the government's plan to sell off all of Nordbanken to claw back as much as possible of its bank rescue outlays. The bank has already paid the state SKr3.6bn

in dividends and is to make another one-off dividend payment of SKr2bn.

Nonetheless, Nordbanken promises dividends equivalent to between 30 per cent and 50 per cent of profits. The prospect of a high yield has prompted analysts to suggest the share issue could reach or exceed the SKr92 per share target ceiling, promising SKr6bn or more for the government.

If Mr Dalborg can keep the bank on track, there will be plenty more money for the state to come - and the government should reach its overall target of winning back half of the SKr65bn it spent on bailing out the banking system.

Hugh Carnegie and Christopher Brown-Humes

This announcement appears as a matter of record only.

August 30, 1995



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October 1995

INTERNATIONAL COMPANIES AND FINANCE

Novell warns of Windows 95's effect on profits

By Louise Kehoe in San Francisco

The first indications of the success of Windows 95, the Microsoft personal computer operating system program launched in August, will be provided in the quarterly results from US personal computer and software companies over the next few weeks.

Novell, the second largest personal computer software company, after Microsoft, has already issued a profits warning because of the effects of the Windows 95 launch.

Analysts believe Microsoft has sold more than 2.5m copies of Windows 95 since the August launch, and are projecting strong results for the company.

It is not clear what portion of revenues from the new program will be recognised in the latest quarter. Microsoft has said it would book revenues from Windows 95 gradually over the next few quarters to limit volatility in its earnings.

However, Novell has warned that earnings for its fourth quarter, which ends on October 28, will be below analysts' projections.

It said sales of its personal computer business applications programs, such as Perfect Office, designed to run on older versions of Microsoft Windows, have declined sharply since the launch of Windows 95.

The company estimates that fourth-quarter sales of these products, which last year accounted for about 28 per cent of revenues, will fall to about \$50m in the current quarter, from \$134m in the same period last year.

The weakness is "primarily due to a continued decline in the Windows 3.1 application market following the introduction of Microsoft's Windows 95 operating system in August", Novell said.

Novell plans to launch new versions of its applications, designed to run on Windows 95, early next year. In the meantime it is struggling to compete with Microsoft's Office 95 applications, which already command more than 80 per cent of the world market.

Novell expects fourth-quarter earnings to be between 15 and 18 cents a share. Analysts had been projecting 28 cents. Last year, final-quarter net earnings were 17 cents a share.

Offers made for Smith Corona operations

Smith Corona, the US typewriter manufacturer which went bankrupt in early July, said it had received proposals from unidentified parties to acquire its ongoing operations. None of the offers would result in full payment to creditors, writes Tony Jackson in New York.

The company, operating under Chapter 11 with the assistance of a \$24m financing package from its bankers, is restructuring its operations to concentrate its typewriter manufacture in Mexico, after closing down in Singapore and Indonesia.

Hanson, the UK conglomerate which owns 48 per cent of the company, is expected to take a charge against earnings in its final quarter which ended in September. Hanson was in the process of seeking a buyer for its stake when Smith Corona filed for Chapter 11.

Smith Corona blamed its bankruptcy on a collapse in demand for typewriters and personal word processors as a result of the surge in popularity of personal computers, and on its high cost base.

It said it hoped to reach a sale agreement soon, subject to court approval.

US insurers broaden their horizons

Richard Waters on the background to a strategy for worldwide growth

This may not seem the most obvious time for US insurers to be reaching abroad. Battered by poor results from the property/casualty insurance business at home and a rash of revelations about misleading sales practices in their life operations, some of the country's biggest insurers have been looking distinctly ragged.

Behind the domestic turmoil, though, lies a new push into international markets by a number of institutions. If successful, it could lay a foundation for long-term growth around the world, particularly in the emerging markets of Latin America and Asia.

Typical of those looking increasingly overseas is Cigna, the Philadelphia-based insurer which already earns around 17 per cent of its revenues from outside the US.

A week ago, Cigna became the latest company to announce a big addition to reserves to meet old environmental liabilities - in its case, amounting to \$750m. Even without this, the company has been struggling to revamp a loss-making domestic property/casualty business (see table).

The turnaround in Cigna's international operations, though, has already started to yield results. With no coherent worldwide underwriting strat-

egy and a disparate array of autonomous national insurance operations, the group used to be "prey to the vagaries of whichever market we were in", says Mr Edward Hanway, head of Cigna's international operations.

That, and poor control of costs, produced a combined ratio for the international operations of around 125 to 130 at the start of the decade, he adds (anything over 100 represents an underwriting loss).

Costs have since been cut to around 37 per cent of revenues, from 45 per cent and underwriting discipline has been tightened through a global risk management system that provides indicative rates to underwriters in all 51 countries where Cigna operates.

"The initial reaction [from employees abroad] may have been that this takes away their freedom," Mr Hanway says. But he claims that "they now view it as a very effective tool", giving them far more information about loss experience in each type of business they underwrite.

The result is likely to be a combined ratio of around 95 this year, says Mr Hanway. He concedes that an improvement in underwriting markets around the world has contributed to this turnaround.

With a sounder international

property/casualty platform, Cigna is now pushing hard in two areas: sales of life assurance products, particularly in Asia, and the provision of health insurance.

As one of the biggest US health insurers, it should be well-placed to export its knowledge of managed healthcare, Mr Hanway says.

Metropolitan Life, the second biggest mutual insurer after Prudential, has also faced

The creation of new insurance operations in Mexico, Argentina and Hong Kong in the past three years has also signalled an acceleration of the company's move overseas.

Its first venture outside North America - the takeover of Albany Life in the UK in 1985 - failed to provide a strong base for growth.

"Our strategy has developed a lot since that time,

next 10 to 15 years, we expect to be in all the major markets in Western Europe. We want to be a dominant player," says Mr White.

Through Seguros Genesis, a joint venture with Banco Santander, MetLife is already among the 10 biggest life companies in Spain.

The UK, though, remains the "cornerstone of our Western European strategy", says Mr White. "We want to be a bigger force in the third largest market in the world."

That may include alliances with banks or others to extend the sales channels for the insurer's products, or outright acquisition.

Neither Cigna nor MetLife is anywhere close to reaching the sort of profits they have targeted from their foreign operations. Both say they aim to achieve a post-tax return on equity of at least 15 per cent from all their businesses. For now, Cigna's return is around 10 per cent.

As a mutual company, MetLife discloses less about its financial record.

Mr White says, though, that the company expects to turn a profit on new international operations within four years, and to reach its targeted return on capital after around 10 years. "We can take a longer-term view," he says.

Cigna - property and casualty

Int'l business (\$m)	1994	1993	1992
Revenue	2,610	2,365	2,277
Income before tax	76	4	(78)
Domestic business (\$m)			
Revenue	2,671	3,275	3,970
Income before tax	(417)	(884)	(902)

Source: Company report

tough domestic problems in the 1990s, though they have been different from Cigna's.

MetLife's domestic sales practices have been put under the microscope since widespread abuses were found in its Florida operations two years ago.

Meanwhile, a new management team has been struggling to transplant a profit culture to a mutual company that has never viewed profitability as its main goal.

Dow Jones upbeat despite flat result

By Tony Jackson in New York

Dow Jones, publisher of the Wall Street Journal, produced unchanged earnings of \$34m in the third quarter, while earnings per share rose 3 per cent to 35 cents.

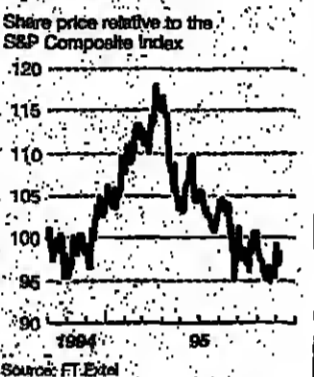
Operating profits from newspapers slumped as a result of higher newsprint costs. However, this was offset by sharply higher returns from the group's minority holdings in newsprint producers.

Overall operating income was down 20 per cent at \$50m on revenues up 10 per cent at \$540m.

In business publishing, which takes in the group's business publications, TV operations and business information services, profits were down 74 per cent to \$5m on sales up 12 per cent at \$241m. Operating income from local newspapers fell 22 per cent to \$7m on sales 8 per cent higher.

Advertising lineage at the Wall Street Journal was up 5 per cent. However, group newsprint costs rose 48 per cent.

Dow Jones



Source: FT/Estel

Income from associates, comprising stakes in newsprint suppliers Bear Island and FF Soucy, moved from a \$1m loss to a \$4m profit.

The company said that besides higher newsprint costs, earnings had been hit by planned expenditure on new TV and electronic information services. It expected earnings growth to accelerate in the final quarter, and forecast a "solid" increase for the year.

The RTZ Corporation PLC

NOTICE

To Holders of Warrants to Bearer

ORDINARY SHARES OF 10p EACH
NOTICE IS HEREBY GIVEN THAT an Interim Foreign Income Dividend of 10.5p per Share will be paid on 11 December 1995 in respect of the year ending 31 December 1995. Payment of this dividend will be made after presentation of Coupon No. 72 at any of the undermentioned offices of payment.

2.5% "B" CUMULATIVE PREFERENCE SHARES OF 1p EACH
NOTICE IS HEREBY GIVEN THAT a Dividend of 17.5p per Share will be paid on 12 January 1996 in respect of the half-year ending 31 December 1995. Payment of this dividend will be made after presentation of Coupon No. 67 at any of the undermentioned offices of payment.

OFFICES OF PAYMENT
The RTZ Corporation PLC
(Registered Office)
8 St. James's Square
London SW1Y 4LD
Gouverneur de Banque
3 Montigny de Paris
1000 Brussels, Belgium
Banque Internationale à Luxembourg S.A.
2 Boulevard Royal
Luxembourg
Union Bank of Switzerland
Bahnhofstrasse 45
CH 8001 Zurich, Switzerland
Credit Suisse
Securities Operations, Dept. XWV7
Postfach 100, 8001 Zurich, Switzerland

The RTZ Corporation PLC
(Transfer Office)
Central Registration Limited
1 Fleet Street, London EC1A 3DT
Banque Bruxelles Lambert S.A.
24 Avenue Miroir
1000 Brussels, Belgium
Banque Generale de Luxembourg S.A.
14 Rue d'Alfingien
Luxembourg
Geneva Bank Corporation
100 Central Functions
Maison Hengler Strasse 30
8010 Zurich, Switzerland

Ordinary Shares of 10p each
The dividend will be paid as a foreign income dividend (FID). For shareholders resident in the UK a FID is treated as having been received with a 10% tax credit. The dividend tax credit is not repayable to UK residents and non-UK residents will not be entitled to any tax credit refund under the terms of applicable double tax treaties. The company has increased the cash dividend by the tax credit to compensate for this.
2.5% "B" Cumulative Preference Shares of 1p each
The dividend will be paid as a non-repayable dividend. For shareholders resident in the UK the dividend will carry a 10% credit at the lower rate of tax (20%) of the dividend plus the tax credit. Where provided for under the terms of an applicable double tax treaty non-UK residents may claim a refund of the tax credit for any applicable withholding tax.
Coupons, which must be filled on special forms, obtainable on or after Monday 9 November 1995 at any of the above offices, may be deposited on or after Monday 13 November 1995. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.
Shareholders should note that under the Company's Articles of Association provision is made for the forfeiture of the above dividend if not claimed within 12 years from the date of declaration.

8 St. James's Square,
London SW1Y 4LD
10 October 1995

BY ORDER OF THE BOARD
J S BRADLEY
Secretary

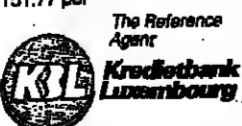


New Zealand

US\$ 1,000,000,000 Floating Rate Notes due 1999

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from October 6, 1995 to January 6, 1996 the Notes will carry an Interest Rate of 5 3/4% per annum.

The Coupon Amount payable on the relevant Interest Payment Date, January 6, 1996 will be US\$ 151.77 per US\$ 10,000 principal amount of Note and US\$ 1,517.71 per US\$ 100,000 principal amount of Note.



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Bank of America

Telkom moves to increase domestic interest in IPO

By Manuela Saragosa
in Jakarta

Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia within the next month, is offering the Indonesian public one bonus share for every 10 Telkom shares they buy.

The offer is part of a campaign to generate public domestic interest in Telkom's initial public offering - the domestic investor base has traditionally been very small. Analysts said this hampered growth of the Jakarta stock

exchange which has ambitions to be the largest in south-east Asia.

The campaign to encourage Indonesians to take part in Telkom's IPO involves a number of measures to make it easier to buy shares. Besides the bonus share offer, which is redeemable after one year, a series of advertisements have been shown on television explaining how Indonesians can buy the shares.

Bank Dagang Nasional Indonesia, one of Indonesia's leading commercial listed banks, and Citibank of the US, are among a number of banks appointed to manage collection points at eight cities through-

out the country where Indonesians can apply for shares.

This is the first time the government has pursued a wide domestic marketing campaign in listing a state-owned company.

Last year, Indosat, the satellite telecommunications company which kicked off Indonesia's privatisation programme in earnest, raised over US\$1bn in a global IPO but this did not include a campaign to encourage domestic investment.

Telkom started its domestic road show yesterday in Jakarta. It will stop in Surabaya, Bandung, Semarang and Medan before embarking on a global road show.



Golden first day for Lihir

Mr Andrew Vickerman (right) and Mr Ross Garnant, general manager and chairman respectively of Lihir Gold, were on hand at the Australian Stock Exchange yesterday when the company's shares were listed for the first time, writes Nikki Tait in Sydney.

The first shares changed hands at A\$1.87, against the institutional issue price of A\$1.57, but the price quickly settled into the A\$1.64-A\$1.68 trading range.

The exchange extended trading hours for the entire market, until 7pm local time yesterday, to give Asian investors a better opportunity to trade Lihir shares. A regular extension of trading hours is one of the ideas under consideration by the ASX as it attempts to carve out a bigger role in the Asia-Pacific region.

Lihir, which is planning to develop a large new gold mine in Papua New Guinea, raised US\$450m through the sale of about half of its equity to a mixture of Papua New Guinean, Australian, and international investors.

Gold Fields falls 14% in quarter

By Roger Matthews
in Johannesburg

Gold Fields of South Africa yesterday reported a 14 per cent fall in after-tax profits at its four gold mining companies during the quarter to the end of September, to R285.2m (\$72m), from R307m in the previous quarter. Capital expenditure amounted to R208.87m, against R307m in the three months to end-June.

Gold Fields said there had

been no labour disruptions during the quarter, in spite of lengthy wage negotiations, and production had benefited from fewer public holidays. The company said it had discerned "a slight improvement in employee attitudes, although a lot of work remains to be done in this area".

It was encouraged by an increase in the tonnage milled to 3.25m tons, from 3.07m tons, but the yield had declined to 7.8 grams per ton, from 8.1

grams per ton. This left gold production marginally higher at 26.247 kg, from 24.938 kg.

Gold revenue during the third quarter increased to R1.14bn, from R1.13bn, with the price received averaging R45.104 per kg. Working costs were higher, largely due to wage settlements from July 1, and totalled R882.4m, compared with R823.4m. This resulted in unit working costs rising to R34,954 per kg, against R33,019.

Pakistan tests sell-off waters to cure debt disease

Pakistan yesterday set in motion a programme to privatise partially United Bank (UBL), its second largest commercial bank. It is seen as an important step in the state's efforts to rid itself of the remaining troubled public sector banks.

The government is seeking "expressions of interest" by October 22 for the sale of 26 per cent of UBL shares and management transfer to a private buyer.

The move could be followed by offers for Habib Bank (HBL), Pakistan's largest bank, next year, which would only leave National Bank of Pakistan (NBP) under government control, senior officials say.

Many Pakistanis were appalled when the interim government of Mr Moen Qureshi revealed two years ago that the country's public sector banks had racked up Rs80bn (\$2.3bn) in bad debts

during the past two decades. UBL and HBL, with combined assets of Rs150bn were together faced with almost Rs50bn in classified debt, a term used to describe bad debts.

The Qureshi government revealed that most of those loans were given to

tinne over a slow pace of recovery with more than Rs70bn of the Rs80bn still outstanding.

Some banking officials hope privatisation will give much needed impetus to United and Habib to improve their efficiency and to respond to client

Farhan Bokhari looks at proposals to sell a stake in UBL, seen as a precursor for other bank privatisations

politically influential clients after banks were nationalised in the early 1970s under the government of Mr Zulfikar Ali Bhutto. Many of those clients never repaid those loans or made interest payments.

In a country with a legal system notorious for corruption and with cases sometimes taking years to progress through the courts, concerns still con-

demands. Two of the smaller public sector banks, Muslim Commercial Bank and Allied Bank, have shown steady growth in profits and deposits since their privatisations four years ago.

Mr Mohammad Yaqoob, governor of the State Bank of Pakistan, the central bank, said: "We need to create a system that stops the disease, and that system basically can only be created if you

privatise the nationalised institutions [public sector banks]."

Mr Yaqoob has a reputation for being a tough financial disciplinarian, who has led the campaign to improve the banking sector's performance.

But some bankers are sceptical about the government's ability to find buyers for UBL and HBL, largely over concerns about overstuffed branches, union resistance to retrenchments, and the history of bad debts. Mr Nasser Ahmed, president of Cresbank, one of the newest private investment banks, says: "I hardly see a buyer in Pakistan. They are too large and the quality of their assets is not known."

Some other bankers say it is not clear if the new buyers will be asked to take on the bad debts or if the government will settle that issue before management is transferred to the private sector.

هكبا من الاصل



Templeton

Templeton Global Strategy Sicav
Société d'investissement à capital variable
Centre Neuhberg, 30, Grand-rue, L-1660 Luxembourg
R.C. B 35 117

Dividend announcement

Templeton Global Strategy Sicav will pay the following dividends against presentation of the respective coupons:

Fund	Currency	Amount per Share	Condon number	Payment date
Templeton Global Utilities Fund - Class A	USD	0.06	4	13.10.1995
Templeton Global Convertible Fund - Class A	USD	0.015	5	13.10.1995
Templeton Global Balanced Fund - Class A	USD	0.05	6	13.10.1995
Templeton Global Income Fund - Class A	USD	0.18	6	13.10.1995
Templeton Deutsche Mark Global Bond Fund - Class A	DEM	0.155	6	13.10.1995
Templeton Emerging Markets Fixed Income Fund - Class A	USD	0.25	6	13.10.1995

Principal Paying Agent:
Chase Manhattan Bank Luxembourg S.A.
5, rue Plaetis
L-2338 Luxembourg

The Shares are traded ex-dividend as from October 6, 1995.

For any queries, Shareholders are invited to contact their nearest Templeton office:

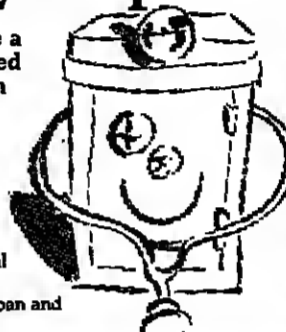
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The Board of Directors
October 1995

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THE ZAMBIA PRIVATISATION AGENCY IS OFFERING FOR SALE

INDECO MILLING LIMITED

Indeco Milling Limited is located in Ndola on the Copperbelt at the hub of the mining and industrial activity. The city is serviced by a network of national and international road, rail and air links.

The company produces maize meal and stock feeds. The company's facilities comprise the Ndola Mill, Stockfeed Plant, Warehouse and Offices which are all located on the same site and have direct access to the lucrative Copperbelt market. The Ndola Mill forms the major facility of Indeco Milling Limited.

Supply, Production and Markets
Indeco Milling produces two major brands of maize meal, breakfast and roller and also produces stock feeds. The optimal production levels of 78,000 tonnes of maize meal and 28,000 tonnes of stock feeds per annum could yield revenues in excess of US\$20 million per annum. Both maize meal and stockfeed products are of high quality and excellent reputation in the market. There is also scope for export to neighbouring countries. It also has a ready and demanding market for the by-products of maize, namely maize surps, brewers grit and stockfeed. The key raw material, maize grain is locally grown in Mushi farming block not far away from the city of Ndola where the mill is located. Wheat flour can also be produced by the maize mill thereby providing a wider product range than its competitors.

The Ndola Mill

The New Ndola Mill was rehabilitated in 1994 under the aegis and assistance of the KFW of Germany on a soft loan currently estimated to stand at US\$5 million. The rehabilitated New Ndola Mill is radically superior to almost all other mills in the country. Its technological advantages include: intensive dampening of maize grain to ensure moisture penetration, thorough maize grading by the combinator, air-drying rollerstands with milling

precision, concentrators for product quality enhancement, installed weight and flow balancers to ensure uniform feeding of the products to various machines, pneumatics conveying systems and in addition, the mill can easily be adjusted to produce wheat flour.

Key strengths of the Ndola Mill

- Maize intake rated capacity of 70 tonnes per hour.
- Storage silos capacity of 2400 metric tonnes.
- Intermediate six storage concrete bins of 480 metric tonnes capacity.
- Screening room with a rated capacity of 14 tonnes per hour.
- Mill section with a rated capacity of 11 tonnes per hour.

The extraction rate at more than 87% without sacrificing the quality of products, compares favourably with both regional and international standards.

The Stock Feed Plant

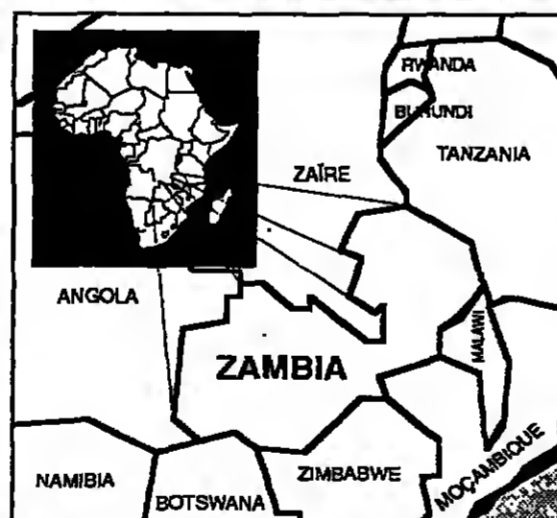
The Stockfeed plant has a rated capacity of 4 tonnes per hour. With market liberalisation the company is witnessing an increased demand for by-products of maize milling. The company has domestic and export orders for brewers grit and local demand for stockfeed.

Workforce

Indeco Milling currently employs approximately 150 people.

Offers

Offers are invited for the purchase of Indeco Milling Limited.



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The Zambia Privatisation Agency (ZPA) is an autonomous Agency of the Government of Zambia. The function of the Agency is to plan, implement, and control the privatisation of State owned enterprises in Zambia.

Zpa

For further information about bid submission contact:

The Chief Executive

ZAMBIA PRIVATISATION AGENCY

P O Box 30819, Lusaka, Zambia

Telephone: 280-1-227851, 221866, 227791. Telefax: 280-1-225270

Bidders will be required to sign a confidentiality agreement and pay US\$100 or K80,000 for receipt of a tender package.

The closing and opening date for submission of bids is 3rd November, 1995 at 15:00 hours.

COMPANY NEWS: UK

Expectations cut after warning of slowing automotive growth

Lucas Inds recovers to £30m

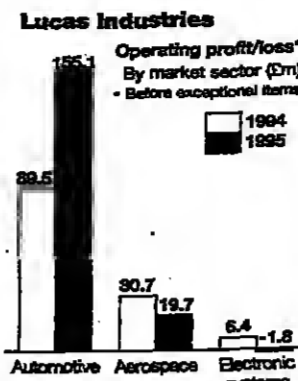
By Paul Cheeswright, Midlands Correspondent

Growth in the Western car and truck markets is likely to slow over the next two years, according to Lucas Industries, the maker of component systems for both the automotive and aerospace industries.

The warning came as the group yesterday reported a return to annual pre-tax profits and signalled its intention to raise productivity in its troubled aerospace division, where it announced a change of head.

A slowdown in the vehicle market would reduce profit expectations among UK engineering groups which have achieved higher earnings in the past two years on the back of strong vehicle demand in continental Europe and the US.

"Last year our continuing businesses achieved substantial organic growth. There are indications of flattening demand in the automotive sector in 1995-96 so we anticipate a slower rate of growth in the next two years," said Mr George Simpson, chief executive.



UK car production is expected to reach record levels this year but Lucas noted that it and other component groups had recently faced reduced manufacturing schedules from vehicle makers.

Automotive components made up 75 per cent of Lucas' sales in 1994-95, when the group made pre-tax profits of £30.4m, compared with a loss the previous year of £129.7m.

But its trading figures were overshadowed by provisions



George Simpson: anticipating slower growth in next two years

against its US aerospace business. As announced last week, Lucas made provisions of £55m to pay fines to the US Defense Department for breaches in testing procedures at its Lucas Western Geared Systems plant and a further £40m to restructure that company.

Lucas said that the US Defense Department had lifted its bar on entering new contracts with the group. But this is conditional on completion of

programme of improved management practice at Lucas Western, which reported a trading loss of £21m in the last financial year.

The US difficulties, and a change in the balance of the group's activities towards automotive operations, are leading Lucas to question the future of its aerospace division. "We will have to look and see if we can support all the activities we are in," said Mr Simpson.

MR Data to sell software business

By Paul Taylor

MR Data Management, the data transcription and document image processing group, has put its MR-Memex database software business up for sale. Mr Colin Haylock, who took over as chairman and chief executive in June after a profits warning, said it had decided that the software business would "not be a core element of our future strategy".

MR Data is in the middle of a restructuring instituted by Mr Haylock, who replaced Mr Michael Elliott as chief executive. Mr Elliott left in April after a boardroom split.

Mr Haylock said Memex, which is based in East Kilbride and has customers including the US Defense Department

and the Metropolitan Police, would be better served by a parent with a stronger international distribution network and a better understanding of the software market.

Two US companies and one other potential buyer had already expressed an interest in Memex, he said, but discussions were at an early stage.

MR Data's results for the year to June 30 bear witness to management turmoil. After larger than expected exceptional charges of £2.84m, pre-tax profits fell from £6.35m to £1.31m on sales of £41.4m (£40.5m). The exceptionals included provisions for redundancies, and the write-down of assets and property rentals, which should reduce operating expenses by £1.5m to £13.8m.

Demand for better black cabs rises

By James Harding

Manganese Bronze Holdings, the London taxi cab manufacturer, more than doubled full-year profits thanks to growing demand for up-to-date vehicles with air-conditioning, passenger intercom and wheelchair access.

In the year to July 31, pre-tax profits improved to £4.2m (£6.5m), against £2.04m, after exceptional charges of £736,000 (£864,000), on turnover ahead 25 per cent to £86.5m.

Mr Jamie Borwick, chief executive, said profits should continue to grow, even if not at the same pace. "Wheelchair accessible taxis will become mandatory in London within five years which underpins the prospects for this business."

The buoyant UK taxi market drove up taxi division sales, which now makes 52 vehicles per week, up 32 per cent.

The components division improved sales by 28 per cent, reflecting higher raw material prices and growth in the sintering, precision castings and metal powders businesses.

Tambang Timah worth \$636m

Shares in Tambang Timah, the world's biggest tin mining company which is to be floated in London and Jakarta, have been priced at \$12.73 each, writes Kenneth Gooding.

This was at the top end of the proposed range and values the state-owned Indonesian group at \$636m. The issue was four times over-subscribed.

Some 50m shares, representing 10 per cent of the capital, were offered to Indonesian investors and 160m shares to international investors.

Peptide

Peptide Therapeutics, the Cambridge-based biotechnology company, plans to come to the stock market in a placing by mid-December. The group, which is carrying out clinical trials on treatments for allergy and rheumatoid arthritis, is expected to raise about £15m, £5m below the amount it initiated in July.

Earlier this year, a planned flotation was delayed. The group was then advised by Barings, the merchant bank, that collapsed in February.

Carclo \$7m acquisition

Carclo Engineering has acquired the US card clothing division of Ashworth Brothers for \$6.8m. At June 30, operating assets being acquired had a net book value of about \$6.3m

and in 1994 achieved sales of \$11.8m for operating profits of \$1.1m. Carclo's existing card clothing side made operating profits of \$2.5m in the year to March 31 1995.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Covell	8 mths to June 30	27.9 (22)	0.028 (0.35)	0.02 (0.34)	0.13	Nov 14	0.13	0.3
Fin Tech	8 mths to July 31	19.5 (18.8)	0.4148 (1.4)	2.2 (7.3)	11	1	1	4.7
Forward Technology	6 mths to June 30	2.52 (2.57)	0.113 (0.088)	0.491 (0.48)	-	-	-	-
Just	6 mths to June 30	24.8 (21.7)	0.812 (0.34)	1.9 (0.8)	1	Nov 30	0.5	2
Lucas Inds	8 mths to June 30	0.779 (0.8)	0.101 (0.001)	0.11 (-)	-	-	-	-
Manganese Bronze	Yr to July 31	2,789 (2,498)	30.44 (30.4)	3.8L (22.3L)	4.9	Jan 18	4.9	7
MR Data Management	Yr to July 31	36.3 (34.8)	4.28 (2.04)	15.53 (7.58)	3	Dec 12	2.5	4
MR Data Management	Yr to June 30	41.4 (42.5)	1.31 (0.33)	1.6 (0.1)	1.5	Nov 17	2,076	3,576
Pepper Harnes	Yr to July 31	117.7 (85.1)	7.06 (6.23)	15.9 (15.5)	5.45	Nov 25	5.1	5.45
Versus Intl	8 mths to July 31	56 (47.8)	0.258 (2.38L)	0.12 (1.65L)	11	-	7	11
Wetherpoons (J)	8 mths to July 31	68.5 (48.6)	9.71 (6.48)	24.5 (18.2)	5.25	Dec 15	4.4	8
								6.6

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Investment Trusts	8 mths to Aug 31	149.5 (156.4)	0.33 (0.046)	0.81 (0.12)	-	-	-	0.13

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. *After exceptional credit. *After exceptional charge. *After stock. *Comparatives pro forma. *On increased capital. *Comparatives restated.

GOLD FIELDS GROUP

Quarterly Reports

Reports of the undermentioned companies for the quarter ended 30 September 1995 were released to the relevant Stock Exchanges yesterday and have been published in the press in South Africa today:

- Deelkraal Gold Mining Company Limited
- Doornfontein Gold Mining Company Limited
- Driefontein Consolidated Limited
- Gold Fields Coal Limited
- Kloof Gold Mining Company Limited
- Northam Platinum Limited

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10 October 1995

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LEISURE & HOTELS - Cont.**OIL INTEGRATED - Cont.****PROPERTY - Cont.**

SUPPORT SERVICES - Cont.

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Dawson Hodge
Dean Corp.
Deere & Co.
Pinecroft
Floral Street
Foreman
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GUIDE TO

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Names open case against law firm

By Jim Kelly,
Accountancy Correspondent

The Sturge Names Action Group, the largest group of litigating investors at Lloyd's of London, yesterday launched what is understood to be the first legal action against a firm of solicitors over advice given to managing agents.

The unexpected multimillion pound legal move significantly widens the scope of litigation related to the insurance market. Until now Names have taken action only against managing agencies, members

LLOYD'S

LLOYD'S OF LONDON agents, and auditors. The action group yesterday issued a writ against Clyde & Co alleging that the firm was involved in a decision by Sturge to cancel a reinsurance policy which would have given Names unlimited protection against US asbestosis and pollution claims.

A spokesman for Clyde & Co said: "We have heard that a writ has been issued by SNAG in respect of advice given by this firm. We have not seen the writ and so are unable to comment on its contents. We are aware of the action group's allegations generally which are without foundation. The action will be contested."

A spokesman for Eversheds, the solicitors representing SNAG, said: "This action focuses on the role and conduct of advisers to managing

agents at Lloyd's. It is a further dimension of the unhappy saga of Lloyd's recent history."

SNAG said it had already started action against the Sturge holding company, the Sturge managing agents, members' agents, and syndicate agents over the decision to "commute" the reinsurance policy which protected Syndicate 210.

Syndicate 210 was the largest non-marine syndicate at Lloyd's with a stamp capacity in 1990 of nearly £200m. The total losses declared to date for the years 1990 to 1993 are more than £350m. SNAG represents 4,000 Names who participated in syndicates managed by Sturge agencies. Collectively the Sturge syndicates have declared losses to date of £1bn. Syndicate 210 has declared losses of £350m with £135m related to asbestosis and pollution claims.

SNAG said: "The proceedings against Clyde & Co are closely related to one of the court actions already under way concerning the decision by Sturge to commute a reinsurance policy - cancel the policy in return for \$80m - which gave unlimited protection to Syndicate 210 against exposure to US asbestosis and pollution claims arising from policies written by the syndicate pre-1990." Mr John Row, SNAG chairman, said: "Nothing can compensate our membership for the humiliation they have suffered by the betrayal of their trust."

Lloyd's council, Page 10



Retired US General Colin Powell, seen here outside a bookshop in central London, came to Britain yesterday to sign copies of his book *A Soldier's Way*, visit the prime minister and meet consins who emigrated to Britain from Jamaica. He said he would decide by the end of

next month whether to run for president. "It seems to me that, because of the republican primary system, if I were to enter the election race as a Republican I would have to start registering for the New Hampshire primary, for example, in middle December," he said.

Prices of manufacturing raw materials up sharply

By Gillian Tett and
Roderick Oram in London

Rising food costs pushed the monthly price increase for manufacturing raw materials to its highest level for five months in September.

With the increases squeezing many food manufacturers, Walkers Snack Foods said yesterday it had been forced raise the price of its crisps.

The move, which could trigger similar increases across the snack industry, is likely to fuel economists' fears that last year's sharp rise in input costs will gradually trickle through to the consumers.

Nevertheless, as yesterday's manufacturing price data indicated, underlying price pressures in industry are now extremely patchy. For though some sectors, like food, are seeing continued price increases,

others, like chemicals, are reporting a slight decline in input price inflation.

The Central Statistical Office yesterday said the cost of raw materials and fuels purchased by industry rose 9.5 per cent in the year to September and by 1.1 per cent between August and September. On a seasonally adjusted basis costs rose 0.9 per cent in the month - the highest rise since April.

About a third of the monthly unadjusted price rise was due to bigger world crude oil prices, which were compounded by the recent weakness of sterling. The remaining two-thirds largely reflected increased food costs.

The price of goods leaving factory gates rose 4.5 per cent between the year to September. Excluding the volatile elements of food, drink, tobacco and fuel, the annual rise was

5.1 per cent. With the monthly rate constant at 0.3 per cent, the data suggested that there was little significant acceleration in output price inflation yet.

Nevertheless, with most City economists expecting that retail price data on Thursday will show a small rise in the underlying inflation rate, fears are mounting that food prices in particular could edge up in the months ahead.

Walkers' decision to raise its crisp prices rise marks a change in policy for the company, which is owned by PepsiCo of the US. It had held its prices since April 1993, by absorbing large cost increases. The tactic had put pressure on United Biscuits' McCoy's and Brannigans crisps and Dalgely's Golden Wonder brand, which are Walkers' main competitors.

Annual conference of the Conservative party

'We are all Eurosceptics now' says ex-minister

By Robert Shrimley,
Lobby Correspondent

Mr John Major, the prime minister, once referred to rightwing agitators in his party as "devils on the fringe". As if the week had not started badly enough, the prime minister will find the conference fringe at this week's gathering in the north-west England resort of Blackpool absolutely crisscrossed with demons.

However, the theme of the right this year is loyalty and patriotism. A number of leading rightwingers are seeking to emphasise their view that the prime minister has crossed to their side on Europe.

Mr Norman Lamont, the former chancellor of the exchequer, has entitled his fringe meeting "We are all Eurosceptics now".

Mr John Redwood, the challenger for the party leadership beaten by Mr Major in the summer, will use a European Foundation rally tonight to deliver a hittingly sceptical speech. He will tell his audience that the government must explicitly acknowledge that monetary union is now impossible under the Maastricht criteria. He will also demand a government list of rules and regulations which can be scrapped and a plan to cut the powers of the European Court.

On monetary union he will say: "The train is not going; no-one is left in the fast lane; most countries are in the second tier. The metaphors are so tired they have fallen asleep."

He will also argue that the struggle to save the Maastricht timetable is causing unemploy-

Company sends cheque to Labour

Conservative morale was dealt another blow last night when sugar refiner Tate & Lyle - one of the party's biggest corporate backers - announced it was cutting donations to Tory funds and writing a cheque to Labour. The company, which traditionally gives £25,000 (\$38,750) a year to the Conservatives, said it was cutting the donation to £15,000, a decision which reflected "the performance of the governing party".

Meanwhile, Tate & Lyle endorsed the changes made to Labour under Mr Tony Blair's leadership, by offering the party £7,500 - the first time the company has contributed to Labour's funds.

The company said the donation reflected "the changing stance of the opposition". Board members are understood to have been particularly impressed with Labour's decision to drop its commitment to wholesale nationalisation. Meanwhile the Conservative party is £17.3m in the red.

ment. "Anger is mounting about the whole political class who seem as wedded to Euro-deflation as they are oblivious to its consequences."

For Tory Eurosceptics the biggest problem seems to be deciding how best to divide up their time to ensure a maximum dose of rightwing fervour throughout the next week. But they need not fear missing Mr Redwood. He is speaking at no

fewer than four meetings.

But Mr Redwood faces competition for an audience from other rightwingers, notably Lord Tebbit, the former party chairman, who will address the European Foundation on "the socialist betrayal of Europe".

Mr Lamont will speak to the Conservative Way Forward group. Rightwing cheerleaders will not want to miss the main defence debate in the conference hall in the afternoon. They will want to ensure a lengthy standing ovation for Mr Michael Portillo, the defence secretary and the right's leader in cabinet.

This evening sees Mr Redwood's speech to the European Foundation - an event expected to attract such a large audience that a cinema has been hired for the occasion.

Wednesday luncheon starts with, yes, Mr Redwood, at the Selsdon Group on "Conservative principles, winning ways". Elsewhere two of his campaign aides, Mr Edward Leigh and Mr Ian Duncan-Smith, will address the Freedom Association and the Young Conservatives about the "future of Conservatism".

However, the "must" event of the evening for the right is the Conservative Way Forward annual dinner with Mr Portillo as the guest speaker. By Thursday the right on the fringe are beginning to wind down. Three former rebels, Mr Budgen, Mr Wilkinson and Mr Shepherd will speak out against national identity cards.

Obituary of former Conservative premier, Page 10

Drugs seizure does not mean traders are hooked

Approaching the trading floor of Liffe, the London International Financial Futures and Options Exchange in the City of London, you feel you are nearing the inner circles of hell. Slowly the moaning you hear becomes a deafening roar of excited screams and shouts.

It is in this pandemonium of colour and sound, where financial instruments worth hundreds of millions of pounds, D-Marks or lire change hands each day, that about 2,000 traders - most of them male - jostle for space.

It would be no wonder if such a stressful environment - where traders are under immense work and peer pressure but can also find rich rewards - were to breed excess. But claims of widespread drug abuse among traders, which grew louder last month after security guards found a small quantity of cannabis in a dealer's possession, are perhaps overdone.

"Stories of drugged-up dealers living it up are largely apocryphal," said Sgt Charles Owens of the City of London Police. "There is no evidence to suggest that traders are more prone than other people to using drugs."

Traders are also keen to debunk the myth. "Drugs and all that died back in the 1980s," said one dealer. Rather than craving further stimulants after a day of heady trading, most dealers, it seems, seek ways of relaxing. Many turn to alcohol while others switch to healthier pursuits such as in

'Their frantic routine is a stimulant - they don't need any others'

the gyms and sports clubs. Professor Gary Cooper, an organisational psychologist at the University of Manchester Institute of Science and Technology, and co-author of the book *Stress in the Dealing Room*, said: "Drug abuse is not terribly widespread among traders - you may find some on drugs, but many more on alcohol."

"They don't need drugs - the nature of the work itself and the levels of neuroendocrines it creates make outside stimulants unnecessary."

While there has been a marked increase in the number of people detained for possession of drugs within the City, Sgt Owens said: "The vast majority of them have nothing to do with securities trading - they are mostly people who are travelling through the City."

He said that since the police stepped up security in the City after the Irish Republican Army bomb attack in Bishopsgate last year, it was almost inevitable that there should be an increase in the number of arrests.

During the 15 months from the start of 1994 to the end of the first quarter of this year,

609 people were detained in the City for drug possession; 431 of them were cautioned and 178 prosecuted. That compares with 301 arrests in 1993, with 261 cautioned and 43 prosecuted.

Of the drugs found, cocaine saw a large increase in the 1994-95 period, prompting 23 arrests compared with eight in 1993. Ecstasy-related arrests rose to 29 in 1994-95, from 10 in 1993. Cannabis-related interventions, which make up the bulk of the detentions, rose to 509 in 1994-95, from 247 in 1993.

At Liffe, the top traders can earn salaries of more than £200,000 a year. The young "yellowjackets", or runners, liaising between floor traders and clients, can earn as little as £10,000 a year.

The drink, drugs and riches image may be more myth than reality, but the addictive adrenaline rush provided by the dealing floor atmosphere may in itself pose a problem. Prof Cooper said that once a certain level of adrenaline is established, people want and need more of it - "they become addicted to their own biochemical". Like drug doses, deals have to get bigger and better.

This can cause traders to lose touch with reality and take huge trading risks - as arguably seen when Mr Nick Leeson earlier this year brought down Barings bank with his derivatives gambles on the Japanese stock market.

Graham Bowley
Conner Middelmann

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Financial Times plans to publish a Survey

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on Thursday, November 9

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FT Surveys

NEWS: UK

Union says sackings are intended to forestall worker safeguards being sought by EU

Dockers barred from return to work

By Ian Hamilton Facey
in Liverpool

Mersey Docks and Harbour Company yesterday refused to let 300 dockers return to work after sacking them over an unofficial strike. The company said it would be recruiting replacements after receiving nearly 1,000 inquiries for the men's jobs.

The 300 - the bulk of the Port of Liverpool's dock labour force - were told to have dismissed themselves by refusing to cross a picket line 11 days ago. Management said the men ignored warnings that they were putting their jobs at risk by being in breach of their con-

tracts. The picket was over the loss of 80 dockers' jobs at Torside, a stevedoring manpower agency on Merseyside which went into liquidation last month. The strikers wanted Mersey Docks to take on the men but the company refused.

The strikers' leaders now claim the dispute has been engineered to get rid of formerly registered dockers - who up to 1989 were guaranteed jobs for life - before Labour wins the next general election. About 80 dockers who crossed the picket line have helped the port continue operating throughout the dispute. However, Mersey Docks said

five container ships had turned away and had stopped using the Mersey "for the time being".

The 300 strikers decided to return to work yesterday after being told by the TGWU transport union that their action was illegal without a ballot. But about 150 who turned up for work were refused entry to the docks. Each had already been sent a dismissal notice at home.

Mersey Docks said it was "taking the opportunity to reorganise its labour force" with fewer dockers. It offered 200 of the strikers new contracts after dismissing them, but excluded their shop stew-

ards. The company refused to say how many had taken up the offer.

Mersey Docks said nearly 1,000 people had responded to job advertisements it had placed with the local media. Several hundred have so far returned application forms. Each new employee will have to sign an individual contract and some are understood to have started work yesterday. The company said it would continue to recognise the union.

"If any of the people who refused to cross the picket line want their jobs back they had better get an application in quickly," Mr Eric Leatherbar-

row, the company's information manager, said.

The Liverpool travel-to-work area has a male unemployment rate of 14 per cent, with pockets of up to 30 per cent in old urban districts near the docks. There are currently about 45,000 unemployed men in the area.

Mr Jimmy Nolan, a shop steward and leader of the unofficial strike, said: "The company has engineered this for its own ends. They want to remove the old workforce before the general election. They know that Tony Blair is going to look at European legislation and get us a better deal than we have now."

Sheep scab now epidemic, say vets

By Alison Maitland in London

Farmers' leaders are calling for urgent government action to combat the spread of a serious sheep disease which is costing the farming and leather industries millions of pounds a year.

The National Farmers' Union says sheep scab is "almost out of hand" in Wales and north-west England. Parasitic mites attack the skin, causing wool loss, hide damage and eventual death if not treated.

Scab has been increasing since dipping controls were eased in the late 1990s. The British government abandoned compulsory dipping in 1992. The spread of the disease has been boosted recently by the scare over the health dangers to farmworkers of using dips, industry officials say.

"The increasing prevalence of sheep scab is one of the most significant welfare problems facing the species," says the British Veterinary Association. "Present in every county, it has now reached endemic proportions."

The British Leather Confederation, which represents the tanning trade, calculates that scab and other pests are wiping £15m, (£23m) or about 15 per cent, off the annual value

of UK sheepskins. Farmers face losses of at least £30m a year on the value of hides and on treatment costs, says the National Sheep Association, which estimates that scab now affects 20 per cent of Britain's 90,000 sheep farms. A damaged skin is worth only £1 or £2 to the farmer compared with £6 to £7 for a good one.

The National Farmers' Union is urging the government to make the disease notifiable to assess how far it has spread. At present, estimates are based on widespread anecdotal evidence.

Mr Martin Burt, chairman of the union's livestock committee, said yesterday that recent government measures were "the minimum necessary". He said the authorities should seal off farms with scab until the flock had been treated.

The government has already stepped up surveillance for scab at livestock markets and has established a Meat Hygiene Service to look out for infestation in sheep arriving at slaughterhouses.

It has ruled out compensation to farmers faced with an outbreak, saying the industry must deal with the problem.

Commodities, Page 25

OBITUARY: Lord Home was prime minister for 12 months in 1963-64

A Tory of the old school

Lord Home of the Hirsel, who died yesterday at the age of 92, was probably the last aristocrat to be prime minister of Britain.

Almost all his political experience was in foreign policy. As prime minister he was often seen by a younger generation as an anachronism and he lost the 1964 general election (though narrowly) to a Labour party which under Harold Wilson was promising great technological and managerial changes.

He was born in the Scottish border country in 1903, son of the 13th Earl of Home. At Eton, Alec Duglass (as Home was then known) was president of Pop - the most elite body in the school - and captain of cricket.

After leaving Oxford University, there was no need to go into politics or do anything as a career. Yet clearly an ambition was there. He stood as a Conservative candidate in Scotland in the general election of 1929, lost decisively to Labour, but was elected in 1931.

Home worked his way up by the route of parliamentary private secretary - unpaid assistant and dogbody to a minister. When Neville Chamberlain became premier in 1937, Home was his PPS. It was a marvelous apprenticeship for some-



Lord Home at the Tory party conference in 1973

one who was to become foreign secretary. Home lost his seat in the Commons in 1945, but regained it in 1950.

There was some surprise when, as the new prime minister in 1955, Eden made him secretary of state for Commonwealth relations, with a seat in the cabinet. It was not nearly as great as when Harold Macmillan, the next prime minister, made him foreign secretary in 1961. And when Home succeeded Macmillan as premier in 1963, the surprise was even bigger.

Volumes have been written on how Home came to the top. Macmillan had been going through a bad patch politically and became ill enough to be advised by his doctors to step

down. The outgoing prime minister clearly favoured Home as his successor and consulted him early on, but it seemed that he was a reluctant contender. Macmillan appeared to switch his support to Lord Hailsham, yet at a famous Conservative Party conference in Blackpool Hailsham launched his campaign too early.

Through what was known in the Party as the "customary processes of consultation" Home "emerged". The subsequent deliberations within the Conservative party were hither. In 1964, after 13 years of Tory rule, the Labour party achieved an overall majority of only four. The next year Home resigned as Tory leader. He returned as foreign secretary under Edward Heath when the Tories won the election in 1970.

If he had a fault in foreign policy, it was shared by almost an entire generation. Home did not recognise the case for Britain joining the European Community from the start and he underestimated the staying power of the Franco-German relationship.

He was appreciated by diplomats, aware of the need to keep America in Europe and the twin virtues of strength and negotiation in relations with the former Soviet Union.

Malcolm Rutherford

UK NEWS DIGEST

Big blaze at BASF unit

About 200 firefighters fought a blaze at ICI's Wilton site in north-eastern England. Cleveland county fire brigade said the fire was the worst it had faced. Although on the ICI Wilton site, the fire occurred in the polypropylene plant sold to BASF last year as part of ICI's rationalisation programme. The fire broke out in a 200m-long warehouse containing 10,000 tonnes of bagged polypropylene granules. No process area was involved and the incident was not treated as toxic.

BASF stressed there was no toxic hazard and that the dense smoke consisted only of sulphur and carbon dioxide. The company said it would be reviewing its fire precautions after it emerged that the building was not fitted with a sprinkler system. Householders were advised to keep doors and windows shut and schools in the area were closed.

Evart Marm, Teesside

Candidates named for election to council

Fourteen candidates have come forward for the annual elections to the 18-member council of Lloyd's, the insurance market's governing body. David Rowland, Robert Hiscox, and Philip Wroughton retire this year as working members. Candidates for these vacancies are Paul Archard, Edward Benfield, John Chapman, Barry Dean, Malcolm Mackenzie and Mr Rowland. As chairman of Lloyd's he is eligible to stand for re-election.

External members whose term of office expires at the end of this year are Peter Viggers and Valerie Robinson. Nominated candidates for these two vacancies are the Earl of Arran, Marie-Louise Burrows, Michael Deeny, Desmond Heyward, John Mays, Ms Robinson, Mr Viggers and Dr Julian West. Ballot forms will be issued on October 27 and the ballot will close on November 28. Results will be announced soon afterwards.

Jim Kelly, Financial Services Staff

Certified accountants propose reforms

The Chartered Association of Certified Accountants, the UK's second biggest professional body for accountants, today publishes its blueprint for the independent regulation of the profession. The ACCA says its proposals go further than those put forward earlier this summer by the Institute of Chartered Accountants in England and Wales - the profession's leading body and principal regulator. The ACCA wants to see a new supervisory body financially independent of the accountancy profession. The present Auditing Practices Board would become fully independent and would report to the new body. The ACCA also wants the present Joint Disciplinary Scheme

reformed, renamed, and "fairly financed" - it too would report to the new supervisory body.

Jim Kelly

Final prosecution witness is heard at Maxwells' trial

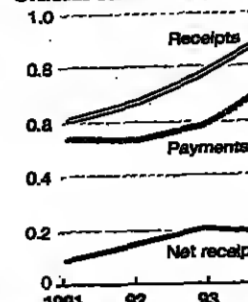
The Maxwell fraud trial yesterday heard evidence from the last of 69 witnesses called by the prosecution. The prosecution will close its case today after the submission of further written evidence. Mr Kevin Maxwell, a son of the late publisher Robert Maxwell, will go into the witness box to give evidence on his own behalf next Monday. Mr Maxwell denies two charges of conspiring to defraud the Maxwell pension funds. His brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former advisor to Robert Maxwell, both deny a single conspiracy charge.

John Mason, Law Courts Correspondent

Film industry earnings rise

Film and television

Overseas transactions (£bn)



Source: CBO

rose even faster - by 28 per cent to £753m in 1994 from £586m in the previous year. As a result the net credit made by the industry on overseas transactions fell to £185m last year from £200m in 1993. The market for UK film and television material and services enjoyed strong growth in north America, where earnings rose by 18 per cent to £225m from £190m between the two years. Receipts from countries in the European Union showed higher growth of 41 per cent to £134m from £95m. There was also a significant increase in revenue from the use of UK production facilities by companies in other countries. Revenue from this source rose by 28 per cent to £178m from £137m. Payments outside Britain for production work increased sharply.

Alice Rawsthorn, Consumer Industries Staff

Couple fined \$620 each for smuggling dog

A couple who rescued a dog in Israel were fined \$400 (\$620) each in a London court after they admitted smuggling the animal through the Channel Tunnel. Mr Graydon Denn, 29, and his wife brought the dog into Britain on a train from Paris. The British Isles are free of rabies and imported pets must be placed in official quarantine for six months at the owner's expense before being returned to their owners. There is no national vaccination programme.

PA News

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An Information Memorandum containing more information about Companies House and the Office Services Functions, together with advice to potential applicants, will be available from 10 October 1995 by applying in writing only to: Mr Phil Lewis, Contracting Team, R 3.44, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. Fax: 01222 380617.

The Information Memorandum will contain a questionnaire to be completed by potential applicants and returned by noon on 6 November 1995. Responses will be considered by the DTI who intend to shortlist up to six qualified applicants to submit a tender.

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FINANCIAL TIMES

مكتبة النور

A France's elite public service training school marked its 50th birthday yesterday. The celebrations were tarnished by criticism of some of its most prominent graduates and of the institution itself.

The Ecole Nationale d'Administration's (ENA) 5,000 graduates - or "enarques" - hold some of the most senior positions in the French civil service, business world and politics. They include Mr Jacques Chirac, the president, Mr Alain Juppé, his prime minister, and Mr Lionel Jospin, soon to take over as opposition Socialist party leader - as well as the heads of large companies such as Elf Aquitaine, Renault, Société Générale and France Télécom.

But opinion is divided over whether the school's anniversary should be a time for celebration or condemnation. The college has been accused of perpetuating excessive centralisation and rigidity through its *pensée unique*, and of inspiring an elitism that many blame for recent business and political scandals.

"It is horribly badly adapted to today's world," says Mr Michel Crozier, a sociologist and business consultant. "It turns out people who think they know everything and do not listen."

ENA was created in October 1945 by General Charles de Gaulle, at the suggestion of Michel Debré, then minister for reform of the state. The aim was to provide a group of professionally trained civil servants at a time of postwar reconstruction to counter the elitism and nepotism that had previously characterised senior public-sector appointments. It was also meant to find new talent to replace those who had collaborated with the Germans during the Vichy era.

Housed in impressive premises in Paris's wealthy seventh arrondissement, ENA is admitted in many countries for the training it provides to those aiming for senior civil service careers. It admits about 100 students from France each year, with a further dozen or more from abroad, from the hundreds of applicants who sit the stiff entry examinations.

The 27-month course includes units on administration and public policy, and students are required to become proficient in two foreign languages. During the course each student spends six months in a prefecture outside Paris. A second six-month placement is often spent in other countries

Elite corps under attack

France's academy for top people is being criticised for perpetuating rigidity, says Andrew Jack



Old school: (clockwise from top left) Chirac, Juppé, Jean-Yves Haberer, formerly of Crédit Lyonnais, Louis Schweitzer of Renault

such as the United States, and sometimes working for a company in the private sector. The rest of the course is equally divided between Paris and Strasbourg, working on mock briefings for ministers or projects, individually and in small groups. To graduate, each student must undergo a "grand oral", fielding questions from five notable people for 45 minutes timed by a special four-faced clock.

Those who achieve the top marks in the ENA exams can join one of four "grands corps" public institutions such as the inspection des finances, the senior public-sector financial inspectorate.

In the past, this in effect guaranteed a job for life, even for those who spent time outside the public sector and then returned later in life. However, this safety net was abolished last year as a response to criticism of the practice.

In the 50 years since it was

founded ENA has carved out a central role at the heart of the French establishment. The list of its graduates is a Who's Who of modern French leaders. At present eight graduates are serving as government ministers and 40 as deputies and senators. While three quarters are civil servants, the 15 per cent who work in the private sector include the heads of 41 of the country's top 200 companies.

Ironically, it was Mr Chirac who helped stoke the debate over the influence of ENA in his election campaign early this year. He argued that the closed ranks of the elite contributed to growing social divisions in French society which ran counter to its republican values.

Attacks on enarques are nothing new, however. In 1973, Baron Blich, the founder of the Bic lighters, pens and shavers company, wrote: "Technocracy is the malaise of our era; com-

ing from the highest levels (ENA), it conquers every rank... it creates a plethora of managers and organisers, but when it comes to doing the job, there is no one left."

However, discontent over the college's role has been heightened by the part played by its graduates in some business scandals. They include Mr Jean-Yves Haberer, a top-ranking graduate who was displaced as chairman of Crédit Lyonnais, the state-owned bank which has lost more than FF12bn in the past three years.

According to Mr Claude Bébér, chairman of the French insurer Axa, many enarques were "parachuted" from the public sector into senior positions in state-controlled companies about which they knew little, above the heads of those who knew the business.

"There are some extremely impressive enarques," says Mr Bébér. "And we will recruit them while they are still young if they are good. They are often very intelligent, but that is not the only thing that is important in business."

Mr Crozier is much more critical: "ENA had a very positive role at the start, but that only really lasted for half-a-dozen years. There is no serious reflection on the future - I find it scandalous."

Mr Crozier - who says the celebrations of ENA's birthday are an exercise in "self-glorification" - claims that ENA has failed to produce any of the most visionary of France's postwar administrators. Mr Jean Monnet, architect of the European Community, and Mr Jacques Delors, EU president until earlier this year, reached the top without entering its portals.

Mr Jean-Michel Gaillard, an enarque and author of a recent book on ENA, argues that the school continues to draw many students from relatively privileged backgrounds. He criticises the "tyranny" of the corps and says it has failed to break down the barriers between government departments, one of its original goals.

But ultimately he points out that it has trained thousands of effective, professional civil servants, most of whom remain essential cogs within the public sector. He says: "ENA has become an exaggerated symbol and scapegoat for all the current problems of the French state."

Europa: Pedro Schwartz

Criteria for confusion



Spaniards used to think that the single European currency was a good thing for Europe and for Spain. But the recent heated disagreements about its launch date have surprised Spanish public opinion. And the repeated stalling of the exchange rate mechanism - and the obvious impossibility of Spain meeting the Maastricht criteria for economic convergence in good time - have plunged the business community into deep confusion.

Last week I saw Gary Becker, the 1992 Nobel economics laureate, who had come to speak in Madrid, being questioned repeatedly about the likelihood of European monetary union. I found questioners' insistence on addressing this one particular issue in itself an indication of mounting disquiet. Prof Becker had come to speak about something altogether different.

He did not dwell long on the usual argument against a single currency: that flexible exchange rates allow a country with rigid labour markets to regain competitiveness without an undue increase in unemployment. The trade effects of a devaluation are usually short-lived and, in any case, may not all be positive in a country like Spain, which has a number of diverse regions with stark differences in their economic structure.

Instead, he struck at the core of the case for ERM by presenting flexible exchange rates as a more reliable disciplining mechanism than a single money issued by a European central bank. He argued that competition between national currencies, allowing individuals to pick their currency of choice for the job in hand, was

a better safeguard against inflation than a rule-driven bureaucratic institution.

In the audience was Mr Miguel Boyer, a former Socialist economics minister and member of the Delors Commission on the European Monetary System. Citing not only the perverse effects of trying to impose external discipline on governments intent on overspending, but also the very imperfect functioning of the EMS as a precursor to monetary union, Mr Boyer surprised everyone present by saying he regretted signing the Delors report and recommending the EMS and ERM.

It is now obvious that the mere invocation of the Maastricht criteria has done little to bring the Spanish state back to financial orthodoxy, let alone to managing its public sector sensibly.

It is true that a partial reform of the labour market was carried out by the government, which argued that economic flexibility was needed to alleviate the unemployment resulting from a stricter financial policy. Meanwhile, attempts to reduce the losses made by public enterprises have been undermined by reminders that the government needed to cut its deficit.

But budget cuts have been more apparent than real. This has resulted in tension between tight monetary policies and generous public expenditure. Once such tension develops, speculation against the peseta and its eventual devaluation are inevitable.

The defective functioning of the EMS has contributed to a growing loss of confidence in the likelihood of a future single

Not even a fluctuation band of plus or minus 15 per cent is saving the French franc from speculative assaults

currency. Not even a fluctuation band of plus or minus 15 per cent is saving the French franc from speculative assaults. This was predictable, since it is well known that limits, broad or narrow, to the fluctuation of pegged currencies are an incitement to speculation not a cure for it.

But the relative stability of the EMS for a number of years after its creation made many Spaniards believe the great expectations of the bureaucrats that devised it.

The recent meeting of EU finance ministers in Valencia confirmed 1989 as the date when ERM will be launched in

those EU member states that fulfil the Maastricht conditions. But a combination of three factors is making Spaniards sceptical that this date is feasible. These are, first, the feeling that the Maastricht criteria have been badly defined; second, the new insistence by Germany that the criteria be made more severe; and, third, the fear - almost amounting to a conviction - that Spain cannot meet even the more lenient conditions.

Prof Becker joined a number of Spanish economists in criticising these criteria for being wrongly chosen or at best incomplete. The principal criterion - limiting public deficits to at most 3 per cent of gross domestic product - is felt increasingly to miss the point.

This is because fast growing redistributive public spending above a reasonable limit inevitably weakens any capitalist economy. The public deficit is only a symptom of this, whether it is financed by inflation or public debt.

It is possible for excessive expansion to continue in spite of the ceiling on the deficit if the government in question collects more in taxes. Indeed, Germany's increase of taxes to finance public investment in the east demonstrated that scrupulous criteria is not always enough to check imprudent increases in public expenditure.

What Maastricht should have done was set a limit on public expenditure, or imposed a ceiling on the proportion of taxes that could be levied in relation to GDP.

The wariness of German public opinion with regard to any monetary scheme that might upset monetary stability has led some German politicians to float the idea of tightening entry conditions, mainly by lowering the deficit ceiling to 1 per cent of GDP. This would make it even less likely that Spain could join ERM in 1989.

Last weekend, Mr José María Aznar, leader of the opposition Partido Popular, said in private that meeting even the present conditions would exact an intolerable social price on Spain. Some of his advisers have argued that Spain should veto the creation of a narrow ERM, excluding Spain and other Mediterranean countries, from the premier division of the European league.

The last straw for many Spaniards was the dumping of the name "Ecu" for the prospective single currency, in favour of the even blander "Euro". Spaniards want to know what was wrong with Ecu in the first place and why so much time is being wasted in discussing a name, when so many more serious problems remain to be addressed.

The author is chief economist of Pincorp AV, the Madrid stock broker.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

Asia's challenge is to sustain growth and environment

From Mr Owen Cylke

Sir, Hidden in Peter Montagnon's growth forecasts for Asia is the reality that the region has yet to install 80 per cent of the industrial capacity that it will have by the year 2010 ("Survey of World Economy and Finance: Brakes go on to curb growth", October 6). Only 20 per cent of the industrial capacity among the OECD nations will be new in 2010 as measured from today. Think about it. Assuming a constant ratio between output growth and the capital stock in manufacturing, current growth forecasts translate into a doubling of the equipment stock for

manufacturing in Asia every six years. In less than one generation, the rapidly growing countries in Asia will virtually replace their entire capital stock.

The significance of this new reality for Asia and the world is obvious. On the one hand, there are the tangible benefits that development seems to offer.

On the other, the environmental dangers that proponents of sustainable development have long predicted. Yet, as one looks at the interplay among efficiency, growth, productivity and the environment, the Asia region has the poten-

tial for reinventing its industrial regime, for launching a clean revolution, much as it did a generation earlier in agriculture with the green revolution.

Asia isn't just some other emerging market. It defines development and is where the idea of sustainability will be most seriously challenged over the next generation. A Clean Revolution in Asia is in everyone's interests.

Owen Cylke, senior fellow, Tata Energy & Resources Institute, Washington DC, US

Too pessimistic about forecasts

From Mr Jeremy Weltman

Sir, John Kay's recent article ("Cracks in the crystal ball", September 29) rightly implies that economic forecasts should be treated with a great deal of caution, but is too pessimistic with regard to their usage. Indeed, what is perhaps least understood by critics of forecasting, but of paramount importance, is that forecasting *per se* represents the best available (scientific) view of the future at the date the prediction is made.

Furthermore, projections of turning points in economic series - ie indications of future risk to current plans, rather

than their absolute values - are still important to the end-user (for example the industrial planner) even if subsequent outcomes differ by several percentage points. Professor Kay's assertion (based on research undertaken by London Economics) that forecasts tend to cluster around the consensus does not wholly bear out, however.

While it may be more true for UK forecasts, the clustering is less evident in similar surveys for other generally more-volatile "emerging market" countries, such as Venezuela. But the added advantage of consensus-type products lies

in their regular sampling (often monthly) which permits users to spot changes in forecaster opinion.

Indeed, identifiable trends in consensus forecasts from month-to-month are a familiar occurrence, as forecasters gradually alter their estimates in the light of new information.

Spotting these movements at an early stage is an important tool in the effective use of forecasts.

Jeremy Weltman, deputy editor, Consensus Economic Inc, 53 Upper Brook Street, London W1Y 2LT, UK

Argument about windfall tax confirmed

From Mr Dominic Hobson

Sir, Mr Geoffrey Robinson's letter (September 28) was intended to refute your argument that the proposed windfall tax on the privatised utilities was arbitrary and opportunistic. Unwittingly, it merely confirms the truth of your observations.

Mr Robinson's argument that the impact of the £2.5bn heist will leave gearing and interest cover ratios within the levels set by the regulator

roughly translates as "they can afford to pay". His second argument, that it will "accelerate the reduction in the industry's presently excessive real rate of return" is a euphemism for the belief that "they are making too much money."

Last, asking shareholders to pay a tax on the grounds that their assets have "outperformed the market as a whole both in dividend growth and rate of return" is an argument

for levying a windfall tax on any company whose share price beats the index.

As you rightly pointed out, the windfall tax is opportunistic, retrospective, arbitrary, inefficient and a bad precedent. It is a cynical ploy, designed to take political advantage of some deservedly unpopular private companies.

Dominic Hobson, 62 Manchester Road, Battersea, London SW11 6AE, UK

Business school fund raising approach not one to support

From Mr Graham Gould

Sir, As an alumnus of Insead I was interested to read of its intention to increase fund raising activities among alumni (Business Education: "Insead launches fundraising drive", October 2).

I found Insead invaluable for my career and I met people there who have become some of my closest friends. Undoubtedly, it was one of my best decisions when I decided to go,

I would recommend it to anyone. However, I do not feel I owe Insead anything. I paid my fees, and it delivered what it promised - it was a commercial transaction.

I give money to charities that I consider to be worthy, and I cannot think of a list of needy institutions that would be long enough to contain the name of any business school. Business schools exist primarily to help businesses to per-

form better, and for individuals to improve their skills and their market value. These are laudable objectives and they have a clear value. A donation to a business school may improve an already very acceptable quality of life for a business executive - unfortunately, there are many people in the world who do not have an acceptable quality of life.

These are the real causes that people should support.

Eurotunnel timescale too short

From Mr O.J. Faber

Sir, I have never understood why Eurotunnel was ever granted such a short concession. It took effect on July 29 1987, originally to last 55 years. Later, it was extended to cover a period of 65 years (until 2052).

It would appear to me that a concession expiring in 2052, and thus effectively covering a period of 99 years after the tunnel becoming operational (like the Suez Canal concession), is much more in line with the complexity and the sheer size of the project.

A concession lasting nearly a century would enable Eurotunnel and its banks to work out a realistic and acceptable repayment scheme without forgetting the shareholders.

O.J. Faber, 2717 BC Zoetermeer, Cesar Franckrode 73, The Netherlands

Wrong way

From Mr Mark Griffith

Sir, Gerd Hausler, a member of the Bundesbank's directorate, described planned EU monetary union as a "fait accompli" based on "compulsion so as to reach the point of no return" as quickly as possible ("German attack on plan for ERM opens fresh split", September 29). This sounds a lot like compulsory metrication, another uniformity fetish being imposed because everyone else is imposing it.

Since we are all going to have to change back in 10 years' time when we realise the US is still the world's biggest and most open market, we could all save a lot of time and money now. Some east Europeans keep to sell to the Americans are already going the opposite way and learning to use English measures.

Mark Griffith, Hungarian News Agency, Galamb utca 3 (H-1111), Budapest, Hungary 1052

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